

OVERSEAS MOVING
BY MICHAEL GERSON
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FINANCIAL TIMES

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A STRONG ARGUMENT FOR RELOCATION

The Newport Argument
Gareth Isaac has all the details on 0633 56906.

WORLD NEWS

ANC warns on control of corporations

The exiled leader of South Africa's African National Congress, Oliver Tambo, told South African business leaders in talks in Zambia that some South African corporations would have to be nationalised or taken under state control if the country's black majority gains political power.

He later said: "They represent tremendous wealth in the midst of unspeakable poverty." Back Page; Pass laws, Page 2

Ariane destroyed

President Mitterrand witnessed the destruction, shortly after lift-off, of a failed Ariane rocket at Kourou, French Guiana. Later he flew into France's Muroto atoll nuclear test site in the Pacific. Back Page

Joseph rules out help

Education Secretary Sir Keith Joseph said after the breakdown of teachers' pay talks that their employers could expect no further government help in resolving the dispute. Page 5

Police 'stretched'

Chief constables at their annual conference in Preston told Home Secretary Douglas Hurd that their forces were being stretched dangerously thin in times of street violence. Riot city, Page 5

Sweden set for polls

Sweden goes to the polls tomorrow with the Liberal Party — one of three in the non-Socialist opposition — expected to make a major step forward. Page 3

Ugandan unrest grows

Unrest in south-west Uganda appeared to intensify after an abortive attempt by National Resistance Army guerrillas to capture a barracks. Page 2

Ex-officials arrested

Four former Rhodesian white civil servants were arrested in Zimbabwe, in connection with subversive activities, the national news agency said.

Vaccination drive

Up to 5m Turkish children under five will be vaccinated in the next three months in an attempt to cut the country's high infant mortality rate. Page 2

Massacre claim probe

The Peruvian government ordered an inquiry into an alleged massacre of 69 villagers last month by troops fighting Maoist guerrillas in the Andes.

Wine for industry

One million bottles of Austrian wine tainted with diethylene glycol and confiscated in the Stuttgart area will be turned into industrial alcohol.

Gas leak injures 200

About 200 people suffered breathlessness and watering eyes when gas used to make insecticides spilled from drums carried by trucks in the south Indian city of Cochin.

Post haste

Over 120,000 people applied for 2,093 jobs as postmen in Spain. The country has western Europe's highest unemployment rate, at 19.3 per cent.

U.S. lead in Ryder Cup

The U.S. led Europe 4 to 3 at the end of the opening day of the golf Ryder Cup at the Belfry, Sutton Coldfield, after the foursmomes and fourballs matches.

Karpov draws level

World chess champion Anatoly Karpov won game four of his title rematch against Garry Kasparov in 63 moves. They each have two points in the series which has a maximum 24 games. Chess column, Weekend FT XI

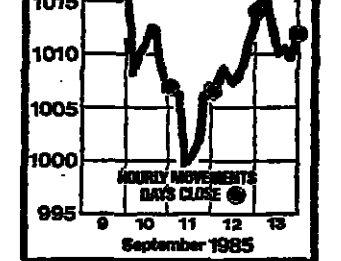
BUSINESS SUMMARY

Ward White £20m bid for Maynards

WARD WHITE, Northampton retailer, yesterday launched a £20m bid for Maynards, toy seller and confectionery maker. Chairman Philip Birch said he was interested in the 80 Zodiac shops rather than the division which makes jelly beans. Maynards have not yet given the recommendation of the offer Ward White hopes for. Back Page; Results, Page 8

LONDON SHARE PRICES

drifted downward, led by international stocks reacting to sterling's recovery against the dollar, for a quiet close to the account. The FT Ordinary index closed 2.1 lower at 1,011.9, for a fall of 8.9 on the week. Page 14



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GOMME Holdings, maker of G-Plan furniture, had its attempt to claw back £2.9m from the £4.1m surplus in its pension scheme disallowed by the Inland Revenue. Back Page

COUNCILS' discretionary

spending powers should come under tighter legal controls, the Government said. Page 5

BUILDING SOCIETIES

attracted £524m from savers last month, well below the £800m they say they need to meet mortgage demand. Page 4

PORT EMPLOYERS

are to restructure the industry's voluntary redundancy arrangements, to make them more attractive to dockers. Page 5

GOVERNMENT

should promote the creation of regional banks to help new business grow, Liberal MPs Paddy Ashdown and Malcolm Bruce said. Page 4

BRAZILIAN bank

staff went to work in Sao Paulo and Rio de Janeiro after a two-day strike which virtually paralysed the country's financial system. Page 2

WORLD CEREAL

output should be a record 1,836m tonnes of rice, wheat and coarse grains this year, 34m up on last year, the Food and Agriculture Organisation said.

COCOA crop

in Ivory Coast, the world's biggest producer, could miss targets next year because of recent heavy rains, Agriculture Minister Denis Bra Kanou warned.

POLISH plans

to let enterprises raise money by issuing shares, as in Hungary, were supported in Warsaw's biggest newspaper.

DUNLOP workers

look set to vote for a strike over the decision by BTR, which took Dunlop over this year, to end national redundancy agreements. Page 5

GENERAL DYNAMICS

of the U.S. agreed to acquire Cessna Aircraft for \$600m (£447m). That compares with the official price of Arabian Light of \$28 a barrel.

MORGAN CRUCIBLE

diversified holding company, reported first-half profits up 19 per cent to £8.7m before tax and lifted the interim dividend to 3.9p (3.7p). Page 8; Lex, Back Page

DELTA Group

electrical equipment, metals, fluid controls and industrial services concerns, lifted interim taxable profits by a third to £25.59m. Page 8; Lex, Back Page

CONSAFE

receiver of the Swedish offshore services group, approved the formation of a company to save the group's most viable operations. Page 9

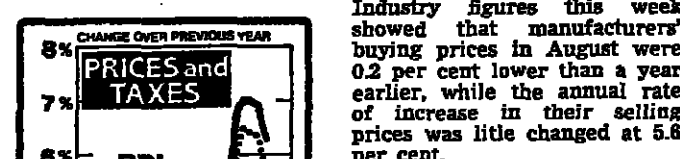
£ up and price rises slow Inflation rate drops sharply

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE INFLATION rate fell sharply in August, suggesting that a turning point has been passed after six months of accelerating price rises. The fall in the annual inflation rate from 6.9 per cent in July to 6.2 per cent in August was the biggest for more than two years. The Government is confident that the rate will soon fall further and will remain subdued next year.

However, Britain's inflation rate is still among the highest in the industrial world. The latest figure is twice the weighted average for the three largest economies, the U.S., Japan and West Germany.

Figures from the Department of Employment yesterday showed that the Retail Prices Index rose by 0.3 per cent in August to 376.7 (1974=100). The Tax and Price Index,



which measures the gross pay needed to keep pace with changes in prices and taxes, rose by 5.5 per cent in the 12 months to August to 191.8 (1978=100).

Inflationary pressures have been curbed by the effects of the pound's recovery since February. This has cut the cost of materials imported by manufacturers. It has also held shop prices down by increasing the competitiveness of foreign goods.

Between May and August, prices rose by the equivalent of an annual inflation rate of only 2.3 per cent. Average prices have been helped in recent months by an abundance of fruit and vegetables brought on by the wet weather.

However, even if seasonal food prices are excluded, the recent trend of price rises appears to have slowed to the equivalent of an annual rate of 3.4 per cent in the latest four months.

This figure indicates the underlying inflationary pres-

sure, excluding sharp changes like those which follow Budget tax changes or changes to mortgage interest.

The fall in the annual inflation rate is partly a reflection of the fact that mortgage interest rates were raised in August last year, which pushed the RPI up by 0.9 per cent, compared with only 0.3 per cent last month.

The cut in mortgage interest rates due to take effect this month is expected to have a further depressing effect on the next inflation figures due to be announced in October.

However, apart from the rather artificial effect of mortgage interest rate changes, there appears to be evidence that underlying inflationary performance has improved.

Department of Trade and Industry figures this week showed that manufacturers' buying prices in August were 0.2 per cent lower than a year earlier, while the annual rate of increase in their selling prices was little changed at 5.8 per cent.

Evidence from Confederation of British Industry surveys of manufacturing companies confirms that the proportion of companies expecting to raise prices has fallen significantly compared with the figure earlier in the year.

Yesterday Lord Young, the new Employment Secretary, described the inflation figures as "extremely encouraging" and said he was optimistic that the news on the prices front would continue to be good.

However, he added that the lower trend in prices needed to be reflected in more moderate wage settlements.

"Lower pay rises are important for low unit costs. Our principal competitors' unit costs (labour cost per unit of output) are going down — ours are going up," he said.

Sir Terence Beckett, CBI director-general, underlined Lord Young's message. "Sensible settlements coupled with improving productivity are one of the ways of safeguarding jobs and creating more," he said. "Uncompetitive settlements compared with Germany, Japan and the U.S. can only mean more unemployment."

Inflation is running at 9.4 per cent in Italy, 6.1 per cent in France, 5.1 per cent in Belgium, 3.6 per cent in the U.S., 3.8 per cent in Canada, 2.4 per cent in Japan and 2.3 per cent in West Germany.

Editorial Comment, Page 6

Dollar hit by U.S. indicators

By Philip Stephens in London and Terry Dods in New York

THE POUND rose strongly against other leading currencies yesterday as fresh U.S. economic indicators tempered some euphoria on foreign exchange markets over the outlook for U.S. growth.

The dollar, which had risen steadily since the beginning of the month, was undermined by figures yesterday for U.S. retail sales and industrial production, both below market expectations.

Wall Street share prices were also hit.

By early afternoon, the Dow Jones industrial average had fallen by more than 10 points to 1,302.31, its lowest level since June 20.

Over the week the index has fallen almost 85 points.

Since late June, the index had never been below 1,312, regarded as a strong support level for shares on the New York stock exchange.

The high point of 1,359.54 was reached on July 19.

In the credit market, the price of the key 30-year-old bond rose by around three quarters of a point and interest rates slipped across the board.

Short-term rates on three-month Treasury bills fell by five basis points to 7.19 per cent.

In Europe, foreign exchange traders said investors were still expecting the dash for the U.S. gross national product due later this month, too show faster economic growth.

The dollar ended in London at DM 2.899, 4.3 pence below Thursday's close, and also fell against most other currencies.

Sterling, which had suffered more than most from the dollar's rise, closed 2.1 cents higher at \$1.3410. It also showed gains against the main European currencies.

Reasons hope, Page 2; Money Markets, Page 13

Stricter checks for engines on Boeing 737s

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TOUGHER CHECKS on Pratt & Whitney JTSD-15 engines and modifications to certain doors on Boeing 737 jet airliners, are being ordered by the UK Civil Aviation Authority after last month's disaster at Manchester involving a British Airtours 737 in which 55 of the 137 passengers and crew died.

The U.S. Federal Aviation Administration and all other 737 operators have been told, and they are expected to follow suit.

The CAA moves followed publication yesterday by the Transport Department of a preliminary bulletin on the disaster, which said the cause appeared to be an explosive rupture of the combustion chamber outer casing of the No 1 (port) engine of the 737, wrecking a combustion can, rupturing a fuel tank and causing large fire.

The Authority said the revised requirements should not necessitate immediate grounding of British-registered 737s, with three aircraft already so modified, and others moving through the maintenance hangars.

The fleet could continue flying while this was being done because all cabin staff of all UK airlines using 737s had been formally ordered to take particular care in opening the doors in emergencies, to avoid the jamming that occurred in the Manchester case, when the purser sought to open the door with considerable strength as well as speed.

The CAA said further consideration of rules about surviving such accidents aspects, such as maximum occupancy (of aircraft cabins), evacuation standards, cabin materials and fire services had to await the detailed report of the Manchester disaster.

Details, Page 4; Feature, Page 6

The tougher engine checks involve inspection for possible defects in combustion casings and combustion cans after 3,750 flights, instead of just after the required 9,000 flying hours.

This is because some 737 aircraft which make many short flights can perhaps reach a critical point in engine life before 9,000 flying hours.

The authority said yesterday earlier checks on 182 Pratt & Whitney JTSD-15 engines on Boeing 737s and McDonnell Douglas DC-9s after the Manchester accident, had resulted in some 24 needed repairs or replacement of combustion chamber parts.

Yesterday's preliminary report also makes specific mention of difficulty experi-

enced by the purser on the Manchester 737 in opening the front right door during the evacuation emergency. A cover over the inflatable slide jammed between door and doorframe.

He then opened the front left door, but went back and with difficulty opened the front right door, enabling some 31 passengers and crew to get out through it.

The door modification covers the front right-hand door and the two aft doors on all Boeing 737s on the British register in the 100 and 200 series, and the aft doors on the Series 300 models of the aircraft. The differences in requirements between the doors in different models are due to design differences in the versions of the aircraft.

The CAA said work on the door modification had already begun. Boeing, the aircraft builder, had designed a solution for the problem, which was already being incorporated on UK-registered 737s, with three aircraft already so modified, and others moving through the maintenance hangars.

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WEEKEND FT



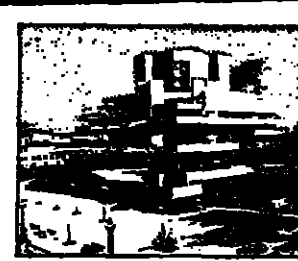
GORBACHEV

Mikhail Gorbachev is one of the world's two most powerful politicians. We took at the background which has led him to the top Soviet Union post. P.I



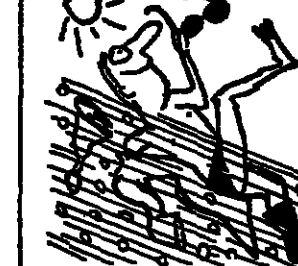
FINANCE

Students need not be penniless. The banks are anxious to attract them as customers and have a wide variety of special offers. P.VI



ARTS

The Arts Council launches its claim for a hefty increase in Government spending. P.XV



TRAVEL

Ten beguiling ways to avoid the British winter. P.XI

Saudis may cut price of oil to \$15

By Richard Johns and Dominic Lawson

SAUDI ARABIA might cut its oil price to \$15 a barrel next spring in order to sell enough oil to meet the kingdom's needs, Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, told the annual Oxford energy seminar yesterday.

That compares with the official price of Arabian Light of \$28 a barrel.

Sheikh Yamani confirmed that the kingdom would sell its crude oil on a "net back basis" initially for the next six months, starting in October.

Under this system the crude is priced at its value on the spot market, minus the cost of freight and refining. This could mean a price about \$2.50 below the official price.

Saudi Arabia has concluded three net back deals, involving the sale of nearly 850,000 barrels a day to Exxon, Mobil and Texaco, three of its U.S. partners in the Arabian American Oil Company.

According to participants at the seminar, which was partly sponsored by the Organisation of Petroleum Exporting Countries, Exxon would lift over half the oil, with the other two U.S. companies taking about 200,000 b/d each.

Continued on Back Page
Lex, Back Page

STC asks advisers to probe profits fall

BY CHARLES BATCHELOR

STC, the hard-pressed telecommunications and computer company, has called in an international array of business consultants and accountancy firms to help it in a far-reaching review of what has gone wrong.

This emerged at a stormy special meeting of shareholders yesterday which voted on a show of hands to later overturn by a court of proxies — against continuing to pay the salary of Sir Kenneth Corfield, the former chairman and chief executive, until his normal retirement date next January.

Sir Kenneth stepped down at the beginning of August after being asked to do so by the other directors and following a sharp deterioration in STC's profits.

Yesterday's meeting was called to approve continuing paying him £221,000 annual salary for a further six months until January 27. A pension contribution of about £65,000 will also be made by the company for the six month period.

Lord Keith of Castleacre, acting chairman and chief executive, said STC had commissioned a review of pay scales of senior executives, "in order to ensure that we conform with current British practices and compensation packages are in line with our British competitors."

This is part of a far-reaching review now under way of many aspects of STC's business. STC is undertaking cost-cutting measures intended to take £50m out of the company's cost base within the foreseeable future, Lord Keith added.

Replying to tough questioning about the payment to Sir Kenneth from many of the 70 shareholders at yesterday's meeting, Lord Keith said: "This was the minimum offer I think we could get away with. It was half the year's entitlement which Sir Kenneth might have demanded."

The proxy count showed the holders of 177m shares in favour of the payment and only 21m against.

Accountants Peat, Marwick, Mitchell have been called in to help identify the core businesses on which STC plans to concentrate. Arthur D. Little, the U.S. consultants, are to review certain aspects of STC's components business, in particular the £80m semiconductor plant being built at Footscray in Kent.

STC's trading position has not improved in the five weeks since the company announced its interim figures. They showed a pre-tax profit of £21.4m in the six months ended June, down from £76.2m profit previously. Its shares fell 2p to 92p yesterday.

Reagan hope for U.S. economy suffers setback

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration's hopes that the U.S. economy is revving up after a year of virtual stagnation suffered a sharp setback yesterday when the Federal Reserve Board announced that industrial production last month rose by only 0.3 per cent—less than the rate of increase economists had been predicting on the basis of last week's employment report.

The Fed also revised downwards its July estimate to show no increase. Industrial production is now only 1 per cent higher than it was in August 1984.

The White House, which appears to be hoping that an economic rebound in the second half will help rescue it from political problems—particularly in the trade area—issued a statement by President Ronald Reagan describing the day's economic indicator as "further evidence of the miraculous powers of American enterprise."

The remark appeared to be directed primarily at the Commerce Department report of a sharp 1.9 per cent rise in retail sales in August.

But the increase was largely due to the August surge in car sales. Most economists say this reflects exceptional factors, including an end to a strike by automobile delivery workers and special sales incentives, including low interest loans employed to help clear out 1985 model year stocks.

Without the automobile sector, retail sales rose only

U.S. set for test attack on target in space

By Our Washington Correspondent

THE Reagan Administration was due to test its anti-satellite weapons system yesterday, following a ruling by a Federal judge that the test against a target in space could go ahead.

U.S. District Court Judge Norma Holloway ruled on Thursday that the question of whether the test should proceed "should not be determined in this forum."

The test involves destroying an old U.S. satellite.

A group of four members of the House of Representatives joined by the Union of Concerned Scientists had sought to block the test, arguing that the Reagan Administration had not certified that the President is negotiating "in good faith" to reach an agreement limiting anti-satellite weapons.

Critics of the test said it was unnecessary ahead of the November summit between President Reagan and Mr Mikhail Gorbachev, the Soviet leader.

The Administration was opening the door to an arms race in space.

The Soviet Union has warned that if the U.S. goes ahead it will consider itself free of its commitment not to launch anti-satellite systems.

Earlier this week Mr Kenneth Adelman, director of the U.S. Arms Control and Disarmament Agency, told Congress "we believe testing can constitute an incentive to the Soviet Union to reach an agreement on a wide range of issues" at the arms control talks in Geneva.

The Soviet Union has an anti-satellite weapon, which involves launching a 150 ft rocket. U.S. experts say it is less deadly than the American system.

The U.S. yesterday said it would release the result of its test. The U.S. system consists of a P-15 fighter, which launches an 18 ft rocket at an altitude of 18 miles. This is then propelled by a two-stage solid fuel booster. The rocket's nose is armed with a 12 in warhead packed with electronic guidance systems designed to lock on to the speeding satellite target.

Turks will vaccinate 5m children

By Our Ankara Correspondent

UP TO 5m Turkish children under five years of age will be vaccinated in the next three months in the largest campaign of its kind ever organised by Unicef and the World Health Organisation.

Officials say the campaign could be the biggest international medical success since the eradication of smallpox. President Kenan Evren this week personally conducted the first vaccinations, which are aimed at reducing Turkey's high infant-mortality rate.

Unicef believes that Turkey's high infant mortality rate of around 110 per 1,000 — a level comparable to those of sub-Saharan Africa—should be easy to improve.

"The unnecessary loss of life is equivalent to a jet aircraft crashing every day," a Unicef official said, pointing out that on average, 80 Turkish children die daily from immunisable diseases.

The programme, fully backed by the Turkish Government, has enlisted the support of all sources of opinion-formers, including teachers, television, and the Moslem clergy.

At present, less than one-third of Turkey's children are vaccinated. Unicef officials say they would regard 80 per cent vaccination as a major success, which would bring the target disease-free of measles, cough, tetanus, and polio under control.

They predict that a fall in infant mortality would actually help bring down Turkey's high birth rate by enabling peasants' families to be sure their children would survive.

Singapore, Cuba, Colombia, El Salvador and Pakistan have already begun similar mass vaccination campaigns under Unicef's guidance, but Turkey's campaign is by far the largest.

Moscow diplomats await inevitable tit-for-tat expulsions

BY PATRICK COCKBURN IN MOSCOW

ACROSS the Moskva River from the red brick walls and golden cupolas of the Kremlin, housed in a palace which looks like a birthday cake, stands the British Embassy in Moscow.

Inside the building, heavily furnished with dark panelling, vast carved wooden chimney pieces and tapestries by the revolutionary Russian sugar hill-nature who built it, work 43 diplomats and 32 non-diplomatic staff, some of whom can be expected to be ordered out of the country in the next few days.

The number expelled in retaliation for the expulsion of 25 Soviet officials from London last Thursday will be an indication of how the Soviet Foreign Ministry sees the future of relations between the two countries.

The expulsion of five Soviet journalists from Britain means that the 14 British journalists who live in Moscow also expect their number to be reduced and quietly speculate about which of them is most likely to be boarding the plane back to London.

American journalists, who last week were being interviewed by their British colleagues about spy dust being

spread to track U.S. diplomats through Moscow, now ask their British counterparts for quotes about the impending eviction.

The dust question has, in any case, become impossible to pursue because a fire at the American embassy on Thursday night damaged its telephone switchboard.

The degree of chilliness to be expected in Anglo-Soviet relations in future is unclear but the expulsions from London clearly interrupt a year of growing cordiality, though not intimacy, between Mrs Thatcher's Government and the Kremlin. This started last year, was boosted by the visit of Mr Mikhail Gorbachev to London

last December before he became leader and has been accompanied by expressions of goodwill on both sides.

The degree of warmth can be exaggerated. Earlier this month a radio commentator in Moscow said that the Brave Defender military exercise had "led to a campaign of hatred against the USSR."

The radio said that "anti-Soviet hysteria has overwhelmed British newspapers, radio and television broadcasts and speeches by government officials."

Despite the cordiality of the last year the Soviet Union never expected much from Mrs Thatcher, so her tepid response

to President Reagan's Strategic Defence Initiative (star wars) was doubly welcome. At her meeting with Mr Gorbachev in March after President Gorbachev's funeral, she also repeated that research into star wars is allowed under the 1972 anti-ballistic missile treaty but that development is not.

This will not stop the Kremlin retreating for the expulsion of its officials but it would be a little surprising if Mr Gorbachev and Mr Shevardnadze interrupted their successful diplomatic offensive in the building to the summit with President Reagan in November with an unrestrained display of diplomatic tit-for-tat.

Yesterday following the dismissal of seven workers from the paint shop and another 120 production line workers on the Gulf Jetta model line.

The dismissals followed a warning issued to the workers last Friday when they walked off the job.

● Reuters reports from Brussels Belgium said yesterday it was withdrawing the accreditation of South Africa's military attaché here in the first concrete step by one of the nine European Community countries which agreed limited sanctions this week.

S. Africa pass law proposal comes under attack

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SOUTH AFRICAN Government is expected to come under increasing pressure to implement the recommendations of the President's Council to abolish influx control and the pass laws as soon as possible.

But the proposals came under attack from both left and right yesterday as the United Democratic Front called for "nothing short of the overthrow of the full political power of the disenfranchised majority" and the right wing Conservative Party predicted that the Government was fast heading down a road leading to a unitary state with one parliament dominated by blacks.

For the Conservative Party Dr Conrad Malan, who defected from the National Party after being defeated by President P. W. Botha in the fight for the party leadership in 1978, said that if influx control and separation was abandoned, "then we must do away with our own areas, own schools, own facilities, we must then open everything to the blacks, including parliament."

The report if implemented by the government, "would be a total and radical departure from the past." In a radio interview, Dr Andries

Treurnicht, leader of the party, commented that the elections now knew more clearly what they would be voting for in the series of by-elections which came up next month.

Mr John Kane Berman, director of the Institute of Race Relations, welcomed both the restitution of citizenship to homeland citizens and the latest influx control and pass law proposals as "welcome nails in the coffin of apartheid" if speedily implemented.

The measures were also welcomed by Chief Gatsha Buthezi, head of the Imstrong Inkatha Movement, who

said that if the committee's proposals were translated into legislation "considerable progress will be made in de-escalating the levels of conflict now apparent in South Africa."

In the meantime, police reported that a further 560 people had been arrested in the past week under the emergency regulations and a further 226 released. This brings the total arrested since July 21 to 3,227 people of whom 1,239 are still being held in detention.

● Volkswagen's South African assembly plant at Uitenhage in the Eastern Cape was closed

Dutch want share in new fighter

By Laura Raun in Amsterdam

THE NETHERLANDS would like to join France in developing a Dassault jet fighter, especially if Belgium, Norway and Denmark would also participate in the project, according to Mr Jan Van Houwelingen, the Dutch State Secretary of Defence.

If the French Rafale jet gained the co-operation of the four Nato members, the aircraft would constitute a major fighter project parallel to the Eurofighter programme grouping Britain, West Germany, Italy and Spain.

The French pulled out of the Eurofighter last summer and, instead, chose to develop their own jet fighter via the Government-controlled Dassault, which also makes the Mirage fighter.

Better suited

Mr Van Houwelingen said earlier this week that the lighter Rafale would be better suited for Dutch duties within Nato than the Eurofighter.

The Rafale could be used in the 1990s as a replacement for the F-16 fighter, in which Fokker of the Netherlands, also has participated.

Fokker, a private-sector company, probably would carry out the Dutch participation in the French project if agreement is reached.

Participation by the four northern European countries would lower production costs of the French jet. Mr Van Houwelingen noted, while Dutch companies possibly could get compensation orders from France.

The Rafale also is considered by some to have better export prospects than the Eurofighter.

Co-operative

The Dutch have actively urged joint procurement of defence material through the West European Union's International European Programme group, which formerly was headed by Mr Van Houwelingen, by indicating publicly the Dutch desire to join the French.

He apparently is aiming to attract the Belgians, Danes and Norwegians into a co-operative venture that will provide efficiencies and offer an alternative to Eurofighter.

Peter Bruce de Bonn adds, Messerschmitt-Bölkow-Blom (MBB) and Fokker are formally to sign an agreement on Monday to seal MBB's participation in the construction of a 100-seat Fokker 100 jet airliner. MBB was also involved in the development of the production of the Fokker F128, which the F-100 will now supersede.

S.W. Uganda security weakens

BY CATHERINE BOND IN KAMPALA

THE SECURITY situation in South-West Uganda appears to be deteriorating after an abortive attempt by National Resistance Army (NRA) guerrillas to capture Mbarara Barracks from Government forces on Thursday.

Heavy fighting broke out at the barracks — the Ugandan Government's main military post in the south-west — when NRA forces launched the morning attack.

According to reports, the NRA had moved south overnight from their camps to the north. Mbarara is 150 miles south-west of the capital, Kampala.

Artillery and gunfire continued for two hours as government soldiers, caught by

surprise, fell back and then surrounded the barracks, trapping the NRA inside.

From Mbarara town, a mile away, shells could be seen bursting in the air. Government soldiers retreating through the town on foot said the situation was "very bad" and it was not until some time later that it became clear that the NRA had suffered a defeat.

At least four Government soldiers were killed in the attack, and two civilians were shot by looting soldiers.

One wounded soldier said that NRA casualties had been "very high." It is thought that up to 100 guerrillas may have been killed but this has not been confirmed. Their bodies

were being collected yesterday for burial.

The defeat will deal a severe blow to the NRA's morale. Its forces are believed to have retreated to Ibanda, a small town about 70 miles to the north.

There is concern that further conflict between the Ugandan army and the NRA may follow as Government troops were said yesterday to be grouping nearby.

Civilians are concerned that the attack may provoke army reprisals, and Mbarara is now almost deserted as streams of people left the town yesterday carrying their belongings.

Shops and offices are closed, and there is little traffic.

Mubarak, Hussein to see Reagan on peace process

EGYPT'S President Hosni Mubarak and Jordan's King Hussein will have talks with President Ronald Reagan this month, the White House announced yesterday. Reuters reports from Washington.

The talks come as the U.S. Administration appears to have reached at least a temporary dead-end in efforts to promote direct peace negotiations with the Arabs and the Israelis.

King Hussein, who would be the chief Arab interlocutor in any negotiations, is expected to be asked for his ideas on how to achieve movement in the Middle East peace process.

President Mubarak, leader of the largest Arab country, has in the past urged a more active U.S. role in the peace process and has supported King Hussein's efforts to build a framework in which negotiations could take place.

The two men will be in the U.S. for the United Nations General Assembly opening in New York. President Mubarak is to be at the White House on September 23 and King Hussein on September 30. Mr Larry Speakes, the White House spokesman, announced.

King Hussein has pledged to negotiate with Israel under the terms of key UN resolutions and in February agreed on a framework for peace with Mr Yassir Arafat, leader of the Palestine Liberation Organisation.

The Reagan Administration has applauded his efforts, even though it has problems with the procedures proposed.

It wants to provide Jordan with new sophisticated military equipment, including jet fighters and anti-aircraft missiles, to bolster its peace efforts. But the weapons sales plan is meeting strong resistance in Congress.

Mr Disraelier will be replaced as Minister of Education by Mr Martin Emmott, a moderate member of the ruling Motherland Party, who has headed the budget and finance committee in Parliament until now.

Deadlock in EEC bid for Turkish clothing curb

BY QUENTIN PEEL IN BRUSSELS

EFFORTS by the EEC to negotiate voluntary curbs on imports of Turkish T-shirts, trousers and other clothing ended in deadlock this week.

The failure of the talks raises the prospect of unilateral restrictions being drawn up by the Ten against textile imports from Turkey, which is currently the Community's largest single supplier of such goods.

The two sides, including representatives of the Turkish textile exporters' associations, failed to agree not only on the quantity of imports, but even on the categories of clothing to be included.

The European Commission yesterday issued a statement deploring the failure of the talks, and recalling that the EEC had been trying to reach an informal agreement with Turkey since 1977.

Ozal demotes Education Minister

By David Barchard in Ankara

TURKEY'S Prime Minister, Mr Turgut Ozal, yesterday ended several days of controversy surrounding the Minister of Education, Mr Vehbi Disraelier, by demoting him to the relatively junior post of Minister of State with responsibility for energy.

Mr Disraelier, a hardline Islamic fundamentalist, had been the target for fierce press criticism after his announcement earlier this week that he was ordering "creationist" theories of evolution to be taught alongside those of Darwin in Turkey's schools.

He replaces Mr Cemal Buyukbas, who has left the Cabinet after several months of friction with the Prime Minister. Some weeks ago, Mr Buyukbas warned against "traitors" in the Turkish cabinet board.

Mr Disraelier will be replaced as Minister of Education by Mr Martin Emmott, a moderate member of the ruling Motherland Party, who has headed the budget and finance committee in Parliament until now.

The results were not large enough to pose a safety threat. The Ministry said the inspections, ordered after last month's crash of a Japan Air Lines (JAL) Boeing 747 in which 520 people died, found faults in 26 of the 69 Jumbo jets flown by four domestic airlines.

Fifteen broken tension bolts were found in nine JAL Jumbos and a broken bolt in the fitting of a vertical tail stabiliser of an All-Nippon Airways aircraft. Other aircraft had loose bolts and displaced bearings.

Some of the defects were in items not subject to regular checks and the Ministry was studying changes in inspection procedures.

The Transport Ministry yesterday told domestic airlines to check all Boeing 747s for metal fatigue cracks on the outer skin behind the cockpit window.

The directive followed a similar order by U.S. airlines by the U.S. Federal Aviation Administration after Boeing said such cracks had been found in three 747s.

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Acid found in Chianti wine

BAVARIAN authorities yesterday issued a public warning after health-hazardous amounts of sulphuric acid were found in two bottles of Chianti wine, AP reports from Munich.

The Bavarian Interior Ministry said the acid was discovered after a customer brought a bottle for testing to the Bavarian official laboratory. The other was chosen at random.

Stocks in the supermarkets where the bottles were bought have been withdrawn.

UK to send expert for Greenpeace bomb probe

By Robert Mather, Diplomatic Correspondent

SIR GEOFFREY HOWE, the British Foreign Secretary, said yesterday that the British Government had agreed to a request from Mr David Lange, the New Zealand Prime Minister, to provide an expert in underwater explosions to assist the investigations into the sinking of the Greenpeace ship Rainbow Warrior.

"The British Government has every confidence in the ability of the New Zealand authorities to conduct a full and fair inquiry," Sir Geoffrey said in a letter to Mr Peter Wilkinson of the Greenpeace organisation. "But we are anxious to assist them in any way we can."

The Foreign Secretary said he agreed with Mr Wilkinson that the sinking of the ship in Auckland Harbour in July was a "lamentable event." The British Government deeply regretted the death of the photographer killed in an explosion on the ship and "share your concern that the culprits should be identified and brought to justice."

Sir Geoffrey sidestepped Greenpeace's demand for a separate inquiry in the UK. This was a matter for Mr Nicholas Ridley, Secretary of State for Transport to decide.

Broken bolts found in Japan Jumbo jets

CHECKS ON Boeing 747 aircraft flown by Japanese domestic airlines have revealed several minor defects in rear pressure bulkheads, the Transport Ministry said yesterday. Reuters reports from Tokyo.

The faults were not large enough to pose a safety threat. The Ministry said the inspections, ordered after last month's crash of a Japan Air Lines (JAL) Boeing 747 in which 520 people died, found faults in 26 of the 69 Jumbo jets flown by four domestic airlines.

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Tuesday October 8, 1985

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James Buxton looks at one variety of sport enthusiast who see themselves as an oppressed and worried group

Why Italy's huntsmen are becoming an endangered species

SHOOTING begins in earnest in Italy tomorrow. Nearly 1.5m sportsmen plus a fair number of poachers, will be out stalking virtually every hedgerow and wood in the country.

As likely as not, they will return empty-handed, and, if past form is any guide, two or three of them will not return at all—slain by the mis-aimed shots of fellow-huntsmen.

Italy's sportsmen now present themselves as an oppressed and worried group. Their numbers are declining—1.5m gun-licence holders this year, against 1.5m in 1980.

Worse, the wildlife that they prey on is, with a few exceptions, in decline too. The Italian press lays many of the ills of the countryside at their door. Shooting in Italy bears slim resemblance to shooting in Bri-

tain. In Italy, it is mainly the sport of the ordinary man, not of the rich.

Whereas in Britain the right to shoot normally goes with the land, in Italy a man can shoot wherever he wants—except where the owner has surrounded his entire property with a fence at least six feet high, or on a specially-dedicated shooting or nature reserve, or within 150 yards of a house.

The Italian sportsman enjoys a far broader definition than his English counterpart of what constitutes fair game. He may pursue not just such birds as pheasants, partridges and ducks, but also thrushes, blackbirds and sparrows.

Whereas British sportsmen regard it as unsporting to use anything bigger than a double-barrelled gun, many Italians use

automatic shotguns designed to fire five cartridges without reloading—though they are usually adapted to fire only three.

The consequences are easy to imagine. With nearly six times as many shooters per square kilometre as the European average, any sort of wildlife is a rarity.

Wildlife protection groups are in despair. Farmers are fed up with having their fences torn down and their fields littered with cartridge cases. Townfolk who venture into the country in the autumn have to run the gauntlet of a shooter every 100 yards or so.

The pressure is mounting on Italy to do something about it. The European Commission, urged by wildlife protection groups in other countries who

blame Italy for the declination of the migratory birds that pass across the peninsula, has for years been pressing the Government to bring its laws into line with the EEC directive on the subject.

In the view of the commission, Italy's shooting season is too long—it begins for some species of birds on August 18—a few days earlier in some regions—and ends for some others on March 10.

Under the assault of public opinion Italy's sportsmen are divided. The diehards take the view that having paid L88,000 (£33) for a licence for a double-barrelled gun they should be allowed to shoot what they want and where they want.

But others realise that if wildlife is to be preserved and

to coexist with shooting, the first step is to bring Italian law into line with the EEC directive.

In fact, a private members Bill is now working its way through parliament which could go some way to delivering that.

But the Bill does not ban three-shot guns or shorten the season. The Italian Shooting Federation, which backs the Bill, rejects the claim of the EEC and of the wildlife groups that the early and late parts of the season enable birds to be shot when they are still dependent on their mothers or are beginning to nest.

The Bill does, however, reduce the number of species of bird that may be shot. But as it stands, it grants Italy's 20 regional governments some dis-

cretion over how they apply the law.

The Bill's enemies say that this discretion would in practice permit the reinstatement of "traditional" local pastimes at present illegal, such as the shooting of chaffinches.

The wildlife protection groups, such as the League for the Abolition of Shooting, believe that the shooting lobby has strong political influence.

At the local elections in May, some 200,000 frustrated shooters alarmed the political establishment by voting either for specially-formed shooting parties or spoiled their ballot papers by writing "Long Live Shooting" on them.

Politicians are also under pressure from the gun and cartridge makers whose sales are declining.



Swedish Liberals likely to make major poll gain

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SWEDISH Liberal Party, one of the three parties making up the non-Socialist opposition, is emerging as likely to make a major step forward in the country's 1988 election campaign. Sweden's 6.3m voters go to the polls tomorrow.

The last two opinion polls to be published both show a strong surge of support for the Liberals, who performed particularly badly at the last election in 1982, gaining only 5.9 per cent of the votes.

Since the last elections, the Liberals have appointed a new leader, Mr Bent Westerberg, who would be a likely candidate for Finance Minister in a non-Socialist Government.

A new poll published yesterday by Sifo, the Swedish Institute for Opinion Research, suggests that the Liberals will increase their share of the vote to some 10.7 per cent.

The result of the election is expected to be close, but even the resurgence in the Liberal's fortunes is not expected to be enough to dislodge the ruling Social Democrats.

According to the SIFO poll, the Socialist bloc, comprising the Socialists, the Communists and the Communist Party, will win some

50.1 per cent of the votes, with 48.8 per cent going to the Centre-Right opposition consisting of the Conservatives and the Liberal and centre parties.

The performance of the Conservatives in particular is likely to be a disappointment after their strong showing in earlier polls over the past 18 months.

According to SIFO, they are only expected to increase their vote marginally since the last election from 23.6 per cent to 24.5 per cent and as a result they will remain evenly balanced against the combined votes of the two centrist parties.

The Centre Party is expected to lose heavily.

The Conservatives and their leader, Mr Ulf Adelsohn, who took over the party reins in 1982, has had to bear the brunt of the attacks from the Social Democrats during the campaign.

They presented an ambitious programme for tax cuts and cuts in public expenditure. But, according to Professor Hans Zetterberg, head of SIFO, their failure to make more headway shows that "a party that tries to take on the public sector and its welfare system and the union movement runs into considerable difficulties."

Moscow is world's top arms exporter

THE SOVIET Union last year regained its role as the world's leading arms exporter with sales worth \$9.4bn (£6.7bn), but some other countries also increased their arms exports, a report by the Arms Control and Disarmament Agency says.

U.S. sales for 1984 totalled \$7.7bn, according to the report. World Military Expenditures and Arms Transfers.

The report also said the U.S.-Soviet share of arms sales worldwide dropped below 50 per cent for the first time ever, with the U.S. accounting for 22 per cent and the Soviet Union 28.4m.

The declining share of the two superpowers reflects the increased arms-selling role of Soviet allies in Eastern Europe, as well as that of France, Great Britain, and Italy.

For the first time, France would most probably to developing countries last year than did the U.S.

The report also said: "The Soviet Union, with 4.4m and China, with 4.1m, had by far the largest number of military personnel worldwide in 1983. The U.S. was third with 2.2m. The global total was 28.4m."

The countries that earmarked more than 30 per cent of their respective Gross National Products for military spending in 1983 were concentrated in the Middle East: Finland, Switzerland, Austria and Japan spent less than 2 per cent.

● Iraq, at war with Iran since 1980, was the leading arms importing country in the world in 1983, with purchases worth \$5.1bn. The leading arms buyer outside the Middle East was the Soviet Union, which spent \$1.2bn.

● Between 1982 and 1983, all regions in the developing world reduced arms imports.

Reform of ITV profit tax urged

BY RAYMOND SNOODY

The Independent Broadcasting Authority should look again at ways to prevent independent television companies spending excessive amounts, the Commons Public Accounts Committee argues.

The all-party committee, in a report published yesterday, found the statutory provisions on excessive expenditure "virtually unattainable in practice."

The committee was investigating the effects of the 67 per cent levy—or excess profits tax—that all ITV companies have to pay

on most of their profits. The first £850,000 or 2.5 per cent of profits, whichever is the greater, is exempt from levy.

It found that the amount of levy paid in 1983-84, £23m, was similar to that paid 10 years ago although advertising revenue had grown fivefold.

The IBA has to notify the Home Office every year of any case of excess spending as a device to reduce levy payments. The Home Office can then set a minimum levy.

"The IBA has never reported

any excessive expenditure and no order to adjust the levy has ever been made," the committee notes.

The committee calls on the IBA to devise methods which will give ITV companies more incentive to avoid excess spending and give a better basis for monitoring the results.

The committee was concerned about a fall in levy payments despite the significant rise in net advertising revenue and contractors' pre-levy profit.

"We are concerned about

these figures which seem to underline the misgivings expressed through this report," the committee says.

The committee said it hoped that the work of the Peacock committee, now looking at alternative methods of financing the BBC, would not prevent interim action to increase the amount of levy paid by ITV companies under the existing method of assessment.

Independent Broadcasting Authority: Additional Payments by Programme Contractors HMSO £3.50.

Croydon Cable TV to transmit next week

By Raymond Snoddy

CROYDON Cable Television begins transmission on Tuesday, after three years of planning.

Croydon Cable, which is based in south London, is the fourth of the new multi-channel cable system to get going following the awarding of franchises by the Government in 1983.

Cable has already been laid past 3,500 homes in the New Addington area of Croydon. The first connections will be made on Tuesday.

Croydon Cable will offer a choice of 25 channels, including three film channels. This includes a number of teletext channels.

Mr Alan Robinson, the managing director, says he is delighted by response to the sales campaign. Consumers are being offered four different programme services, ranging from £5.95 a month to an all-inclusive service at £23.95 a month.

In the longer term Croydon Cable, which includes Crystal Palace Football Club and Surrey County Cricket Club among its shareholders, plans to offer 35 channels to about 115,000 homes in the area.

Swindon, Aberdeen and Coventry have already begun their operations with Westminster. Windsor is due to begin shortly.

Debut campaign for BBC drama serial

BY RAYMOND SNOODY

THE FIRST BBC programme advertising campaign using its agency Lowe Howard-Spink Campbell-Ewald is to be used next week to promote the dramatisation of F. Scott Fitzgerald's novel *Tender is the Night*.

Newspaper advertisements will be used to try to ensure greater awareness of the series than for the corporation's last important drama series *Bleak House*.

The six-part film version of *Tender is the Night*, which begins on BBC on Monday week, is the most expensive drama series the BBC has made. It cost £8m, film an hour.

It is also the BBC's largest co-production deal, with 50 per cent of the budget coming from Showtime U.S. cable television channel, the Seven Network in Australia and BBC Enterprises,

the corporation's commercial arm.

Mr Jonathan Powell, head of BBC TV drama series and serials and executive producer, said: "Because of the co-production money we were able to make it in the way we felt it should be made—with all the stops pulled out."

The costs were high because the film was shot almost entirely on location and used American actors. However, 21 countries have decided to buy the series and there are firm expressions of interest from a further 20.

Mr Powell, responsible for such programmes as *Testament of Youth*, *Tinker, Tailor, Soldier Spy* and *Smiley's People*, has wanted to make *Tender is the Night* for many years.

One difficulty was that Twentieth Century Fox owned the rights to the book. The

film company made the rights available in return for the rest of the U.S. syndication rights in the serial.

Mr Powell hopes the series will have a considerable impact. He said: "The BBC is making something to enormously high standards but also pushing back the frontiers of international broadcasting and co-production."

It is the first time the BBC has been involved in such a co-production deal on a series with a U.S. pay cable television company.

A further co-production deal with Home Box Office, the largest U.S. film cable channel, has just recently been done for the Christmas special of *All Creatures Great and Small*.



Mary Steenburgen

Poland awaits IMF team

BY CHRISTOPHER BOBINSKI IN WARSAW

A mission from the International Monetary Fund, headed by Mr Peter Hall, the fund's European Director, is expected in Warsaw next Wednesday. Polish officials have confirmed.

The aim of the visit is to

prepare final recommendations on Poland's application for readmission to the fund which was made in the autumn of 1981 and has been held up as a result of post-martial-law Western sanctions.

Europe motor industry 'should accept U.S. technical standards'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT IN FRANKFURT

THE EUROPEAN motor industry should be bold and accept U.S. technical standards for vehicles as a way of speeding up the necessary process of harmonising world-wide standards, suggests Dr Carl Hahn, chairman of Volkswagen at yesterday's Financial Times world motor conference.

There was no point in creating separate European standards which meet the same objectives but which involve nothing but delay and waste to the industry and the consumer.

Dr Hahn said the automotive business could learn from the aircraft industry which had an international product, produced all over the world with international standards.

It would be enough for the automotive industry to have harmonisation between three main trading blocs, the U.S., Japan and Europe, he maintained.

The industry, including component suppliers, is involved in the fastest-growing trade in the world.

More than 20 per cent of the 40m vehicles built each year find their way into international trade, an enormous business which supports an expanding traffic in components, he pointed out.

Harmonisation of technical standards would speed up that development.

Aside from the vehicle standards themselves, the certification system operated by individual countries needs to be totally revised, Dr Hahn maintained. Once again, Europe should follow the U.S. example and allow self-certification by the manufacturers.

Mr Rudolf Stahl, member of the executive board of Robert Bosch, told the conference that the electronic age arrived some



demands for fuel efficiency, emission control, drivability, safety and comfort."

He suggested capital requirements needed in the near future for product development for more flexible, automated manufacturing facilities will tax the components industry heavily.

Mr Stahl, responding to questions, gave warnings that when the Japanese car assemblers set up factories in Europe, the European suppliers would find their customer-base shrinking because there would be little growth in car production.

Mr John Neill, managing director of the Unipart group, predicted that Europe's super-market chains, looking for new areas of growth, might turn to car retailing in a substantial way. There were already examples of this happening in West Germany and the UK.

He lightheartedly suggested that "own-label" cars might even be introduced. Asda instead of a Mazda, a Safeway car, a Carrefour car or a Boots car."

One of the new car-producing countries — South Korea, Taiwan, Singapore, Hong Kong

and the Philippines — making good-quality, low-cost vehicles, might welcome the chance to bring its product to market under the banner of a well-known retail group rather than attempt to sell a completely unknown brand.

Mr Archie Long, executive in charge of service parts operations, General Motors, said his company believed that the value of the European market for components sold in the after-market would remain at today's level or even decline.

While the number of vehicles on the world's roads could be expected to increase from 464m to 510m in five years' time, sales of after-market components would show only a 5 per cent rise in value from today's \$98bn (£62.9bn).

Mr Peter Schatz, president of Porsche, maintained that in a fast-changing world such as that of the automotive industry today, having the right people with the right type of experience and background was essential if a company was to maintain its lead.

Mr Paolo Cantarella, managing director of Comau, pointed out that since 1980 the robot population in the world's automotive industry has more than doubled every two years, and a high growth rate is expected for the second half of the decade.

For example, General Motors was only using a few hundred robots at the beginning of the 1980s but will reach the 5,000 mark by the end of 1985. It plans to treble this figure to 15,000 by the end of the decade.

Mr Hideo Sugura, former chairman of Honda Motor, said the motor industry faced three major problems. First, the era of rapid growth was behind it and it had now entered an era of maturity.

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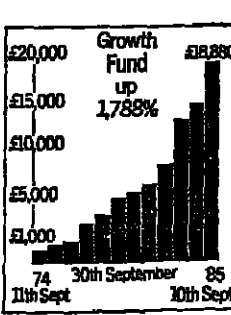
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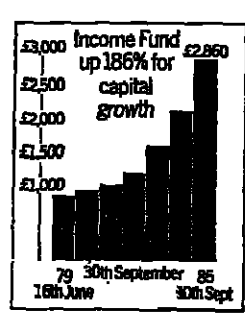
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Building societies attract £524m net

By Margaret Hughes

BUILDING societies attracted a net £524m from savings last year—less than the £580m in 1986, but they estimate they need to meet mortgage demand and about £126m lower than July's inflow.

None the less the Building Societies Association says the underlying position is fairly healthy. It attributes last month's fall to seasonal factors, particularly sale of "C"-registration cars.

After seasonal adjustment the association puts the August inflow at about £700m. It expects a significant rise in receipts this month. Societies made less use of wholesale markets last month, raising £104m only against £308m in July.

The mortgage-demand level has fallen because of the high interest-rate level operating before the recent cuts. Mortgage advances totalled £2,349m last month compared with £2,449m in July.

New lending commitments, that is, mortgages promised but not yet advanced, also fell, to £2,179m from £2,279m in July. The fall is partly attributed to seasonal factors such as delays in completion in the peak holiday month. Some societies, however, report mortgage demand to be generally patchy, and more depressed in the north of the country.

Although the association yesterday said it expected a substantial upturn in receipts this month, many two-year term shares launched by principal societies in September, 1985, will mature this month.

Societies expect proceeds to be reinvested rather than withdrawn entirely. Much, however, will depend on competition from other investment vehicles. Several societies have enhanced terms of some accounts since the recent overall cut in interest rates, to remain competitive.

Great Exhibition plan for 2001

A GREAT EXHIBITION along the lines of the Victorians' 1851 extravaganza is being proposed for the year 2001 as a way of attracting trade to Britain and generating national pride.

Mr Evan Steadman, an independent exhibition organiser, is trying to persuade government, industry and a wide range of organisations to back him with specific proposals.

He said yesterday at an elaborate Westminster press conference: "We have 16 years to face this challenge and put on the greatest exhibition the world has ever seen."

The emphasis of the exhibition which would be housed in a purpose-built £500m exhibition centre in dockland or near Heathrow airport, would be on arts, sciences and new technology. Any profits would go to charity.

Japan lifts ban on UK pig meat

JAPAN HAS lifted its long-standing ban on imports of British pig meat, the Ministry of Agriculture announced. The agreement follows lengthy negotiations by Mr Michael Jopling, Agriculture Minister of State, and detailed discussions between the veterinary authorities of both countries.

Racal-Norsk in deal with French electronics group

BY RAYMOND SNOODY

RACAL-NORSK, the UK-based artificial intelligence joint venture company, yesterday announced a collaboration agreement with Matra Data Systems of France, part of Matra defence and electronics group.

It said the agreement would open markets in France and Italy for a Racal-Norsk computer system designed for advanced computing in the defence, engineering, manufacturing and finance markets.

The agreement covers sale and support of Racal-Norsk's Knowledge Processing Systems (KPS) artificial intelligence computers in France and Italy. It includes a production licence for Matra to make the KPS range in France.

The systems involve computers which can cope with symbols as well as numeric information. Important applications include intelligent processing of information in the defence field.

Several new computer systems have been installed in universities in the UK and Scandinavia but the system would be available only towards the year's end.

The Racal-Norsk joint venture was set up in May last year to make advanced computer systems to develop use

of artificial intelligence.

The venture assembled the computer expertise of Norsk Data, the Norwegian company, and the artificial intelligence expertise of Racal, the UK electronics group. The Norwegian company makes one of the fastest 32-bit super mini-computers available. Racal also had rights to LISP, one of the most suitable computer languages for artificial intelligence work.

Mr John Rance, Racal-Norsk general manager, said yesterday the system provided both the computer and the software toolkit to allow users to write specific software.

It was suited to work in pattern-recognition, robotics, and signal-processing, important for the defence market.

Mr Rance said the combined strengths of Racal, Norsk Data and Matra Datasystems represented a major European force in artificial intelligence, uniquely suited to the challenge of the Esprit and Eureka initiatives.

Racal-Norsk believes it is the only European company with such a system although there are already several U.S. companies in the field including Symbolics, Texas Instruments and Hewlett-Packard.

Atomic Energy Authority chairman reappointed

BY DAVID FISLOCK, SCIENCE EDITOR

MR ARNOLD ALLEN has been reappointed chairman of the UK Atomic Energy Authority until the end of its financial year next March.

Mr Allen, who has been the board member responsible for finance since 1971, was made chairman last autumn when Professor Peter Hirsch returned to Oxford University.

Mr Allen, 60, was private secretary to two financial secretaries in the Treasury in the 1950s. He is leading negotiations in Whitehall to place the authority on a different financial footing from that of the past 31 years.

He said yesterday that any new guidelines should allow it the incentive to become an internationally competitive research organisation specialising in nuclear power.

The Government announced last February that it wanted the present system of funding mainly by parliamentary vote to be replaced by a trading fund.

Its gross commercial expenditure last year was nearly £400m.

Mr Allen said the authority would be on a trading fund basis by next spring.

High land prices 'not government problem'

By Joan Gray, Construction Correspondent

A Government minister yesterday held out little hope for housebuilders worried about the high price of land.

Speaking at the opening of the Homes 85 exhibition at the Barbican Centre, London, Sir George Young, Environment under Secretary, said: "High land prices are the builders' problem, not ours."

"They pay the prices not us, and they will keep buying and building and can still make money and sell houses at that price."

Builders complain that the high price of land in the South-east has made it impossible to build at prices which first time buyers and people moving to the area in search of work can afford.

They blame the high prices largely on the extent of the Green Belt, particularly around London. It is designed to protect the countryside. Some land prices in the South-east have risen to £500,000 an acre, and builders are cutting the number of less profitable homes they build for first time buyers.

Sir George said: "I know that house builders regard restriction on land supply and high land prices as an obstacle to more home ownership, at least in some areas."

Every planning decision taken by a ministry that affects the availability of land for housing is taken with great care for the effect on house building as well as its effect on the environment.

On the problems faced by first-time buyers and by people who wanted to move to the South-east in search of work, he said: "We don't have a plan that lets people live where they want to live or the Green Belt policy goes out of the window."

● Total output in the construction industry in the second quarter of 1985 was 1 per cent higher than in the same quarter last year, with most of the growth coming from office and factory building according to Environment Department figures published yesterday and based on the value of work at constant 1980 prices.

Liberal pamphlet advocates regional banks

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT should take the initiative to promote the creation of regional banks to assist growing new businesses, Liberal MP Mr Paddy Ashdown and Mr Malcolm Bruce, argue in a pamphlet published yesterday ahead of next week's Liberal Assembly in Dundee.

The pamphlet, based on discussions among a number of senior Liberals, is intended as a contribution to the discussion on Monday by a party commission on economic policy. This will frame a resolution to be put before the Assembly on Thursday.

In another development, Mr William Wallace, author of a leaked report on how the Alliance should prepare for government, made it known that he has decided to attend the Dundee Assembly despite his previous intention to stay away and work in his constituency. He hopes to explain his position on Wednesday when the Assembly debates the question of preparing for government, if elected.

Mr Wallace's paper caused a flurry of controversy last week.



Paddy Ashdown: contributed to pamphlet

end during the SDP's conference, although, apart from a few criticisms of the Alliance leadership, it consists mainly of a detailed memorandum on how the Alliance should overcome its lack of direct ministerial

experience in preparing for government.

The Ashdown-Bruce paper, entitled Growth From the Grass Roots, concentrates on the theme of applying the lessons of community politics to economic recovery at local level. It makes a series of proposals for encouraging initiatives by government, by local companies and by financial institutions.

In particular, the authors advocate legislation to set up a series of regional investment banks funded partly by local and central government and partly by financial institutions.

They would have the special brief of encouraging regional business initiatives and attracting local savings.

The pamphlet also suggests that large companies could do a lot more to encourage local businesses where they are situated, for example by purchasing more locally-produced products and by becoming involved in a new community enterprise fund also involving local authorities.

The pamphlet recommends simplification of the present range of government bodies supporting business, with the

The Prime Minister was strongly criticised last night by Labour and Alliance leaders for her remarks about meaninglessness during her visit to North-east England. She said that people in areas of high unemployment should talk more about their achievements and less about their problems.

Mr Roy Hattersley, the Shadow Chancellor, last night said at a party meeting in Birmingham that the phrase was the answer of a Prime Minister with nothing new.

Mr Ian Wrigglesworth, the Social Democratic MP for Stockton South, which Mrs Thatcher visited, has written to the Prime Minister saying that her remarks "displayed a calous insensitivity and a total lack of care and understanding of the hardship and despair faced by the thousands of families in the North-east through no fault of their own."

establishment of local enterprise boards and community enterprise units representing all sectors in each area.

Concern at plan to end Serps

BY ERIC SHORT

GROWING CONCERN over the Government's proposed ending of the State earnings-related pension scheme (Serps) and its replacement by personal and compulsory company schemes emerges from the latest batch of submissions on the Green Paper proposals.

The submission from the Prudential Corporation, Britain's largest life company, is concerned that the Government's reforms will turn out to be counter-productive.

Mr Derek Fellows, the Pru's chief actuary and chief executive of its UK group pensions division, said the proposals put a great burden on the private sector to provide adequate pensions for all groups of employees. Its ability to cope successfully and efficiently depended on the new system having a very simple structure.

The changes says the Pru, impose two sets of administrative

problems—reviewing and changing existing schemes and marketing new plans to employers who will have to set up schemes for the first time.

The Pru, even with its resources, feels it does not have the trained manpower to do both tasks completely successfully.

To ease the administrative burden, the Pru suggests the proposals be implemented in two stages: first introduce compulsory occupational schemes on a money purchase basis and then say—after five years—allow employees to opt out of their company scheme and make their own personal arrangements.

The view of managers towards the proposals comes from the British Institute of Management.

In a survey of members, fewer than one in five managers felt Serps should be abolished. More than half

would not commit themselves without more information and nearly three out of four said more time and information was needed.

Dr John Constable, the institute's director-general, claims these findings show the need for a much fuller review, not for immediate legislation. It feels such a wider review would result in sensible and practical changes to Serps which would achieve the overall objectives.

It is concerned over the adequacy of the new pensions to replace the pensions provided under Serps, the higher costs to employer and the ending of the political consensus.

It echoes the repeated view of all submissions that other political parties have already declared their intention of legislation to restore Serps. The nation cannot afford to have the whole pensions structure continually revised by successive governments.

MANCHESTER AIRPORT DISASTER PRELIMINARY BULLETIN

Debris from explosive rupture in engine punctured fuel tank

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE Manchester Airport Boeing 737 disaster was caused by an explosive rupture of the combustion chamber outer casing in the port engine.

It damaged a combustion can, then a fuel access panel and allowed fuel to escape through a hole and set fire to the aircraft. Of the 137 people aboard the British Airways flight to Corfu 55 were killed.

This broad conclusion emerges from the preliminary special bulletin on the crash from the Transport Department's accident investigation branch issued yesterday. The branch is still conducting its investigation, and a more detailed report will be issued later.

The bulletin says the pilot aborted take-off after hearing a bang. External witnesses saw the aircraft decelerating, trailing

heavy black smoke and with a fire in the port wing and engine. The aircraft trailed a line of flame until it came to a stop.

The report says the explosive rupture of the Combustion Chamber Outer Casing caused its left side to peel apart, completely exposing several combustion cans, and in so doing shattered and distorted the adjacent area of the fan case which normally encloses the casing.

The line of rupture was next to No 9 combustion can. "Only the aft two-thirds of the latter still remained in the combustion chamber in a crushed and burnt condition, whilst the forward one-third including the dome of the can was missing."

"This, together with pieces of the fan case and engine cowling were recovered from

the runway approximately 1,020 metres from the threshold end of Runway 24.

"The rupture of the CCOC appears to have resulted from a loss of integrity of the No 9 combustion can. This, in turn, allowed hot combustion gases to be directed on to the CCOC inner surface. A relatively small rupture appears to have been developed initially but to have subsequently developed to a critical dimension."

The report suggests the dome of the No 9 combustion can, and a small piece of the fan case, struck a fuel tank access panel immediately outboard of the engine making a roughly circular hole about 8 inches in diameter and allowing fuel to pour out.

Fuel was released in large quantities, and immediately ignited. "An extremely large fire

developed which trailed aft from the region beneath the tank puncture, extending well beyond the tail of the aircraft. The external fire very rapidly penetrated the left side of the rear fuselage."

Shortly after, the fuselage in this area became weakened by heat, and the tail section sank to the ground.

"The internal fire in the rear fuselage subsequently developed into a more general fire in the cabin which destroyed much of the cabin furnishings, large areas of the fuselage crown and the cabin floor above rear freight hold."

The surviving crew did their best to aid escape. When the aircraft's commander ordered evacuation on the right side the purser tried to open the right front door. "However, a cover over the

inflatable slide jammed between the door and doorframe preventing the door from opening fully. The purser then went to the left front door, assessed the situation and decided that evacuation of passengers through this exit was possible.

He opened the door fully, inflated the slide manually, and the stewardess conducted the evacuation of the passengers from this door.

"The purser then went back to the right front door, cleared the restriction with difficulty, and was then able to open this door and deploy the slide. After manual inflation of the slide the passenger evacuation also commenced from this exit."

"During the evacuation acrid smoke had spread forward from the rear of the cabin finally flowing out of the two front doors. Visibility was eventually

reduced such that the slides could not be seen by the cabin crew from a standing position and to avoid choking they were forced to leave the aircraft."

The branch says the fire service was in attendance and generating foam within approximately thirty seconds of the aircraft coming to rest. Two Rapid Intervention Vehicles and two foam tenders were quickly joined by a third foam tender. Local authority fire appliances and ambulances attended shortly afterwards.

The branch says the investigation continues, with emphasis on: Engine failure; Fire initiation and propagation; Effectiveness of the emergency services; Crew performance, evacuation and survival; and Aircraft design and airworthiness requirements.

Minister leaves for talks in U.S. on Atlantic air pact

BY LYNTON MCILAIN

THE BERMUDA II agreement which regulates air services between the UK and the U.S. "needs reviewing and updating," Mr Michael Spicer, the Under-Secretary of State for Transport, said yesterday before leaving for talks with aviation ministers in five countries.

He is to have talks with Mrs Elisabeth Dole, the U.S. Transportation Secretary, covering the impact of U.S. anti-trust laws on UK airlines, especially in the wake of litigation by the liquidator of Laker Airways in the U.S., which has delayed privatisation of British Airways.

The British Government takes the view that all matters relating to transatlantic services between the two countries should be subject only to the Bermuda II treaty, and that this should not be compromised by U.S. anti-trust laws.

The treaty allows airlines in each country to apply for fares, providing they are cost-related and economic.

The Government is concerned that, even if UK airline applications for cheap fares have been shown to be non-predatory, the U.S. might still invoke anti-trust regulations, as in the case of Laker Airways.

The Government is worried about the anti-trust issue as it prepares to sell British Airways next year.

The minister will also visit Singapore to discuss the impact of the UK flights into Manchester granted to Singapore International Airlines, which will put in word too for UK airport construction companies, which might be in the running to build the proposed second terminal at Changi Airport Singapore.

Mr Spicer will also visit Malaysia, Australia and New Zealand. In Australia he wants to explore the prospects for greater liberalisation on air routes.

Hayhoe in drugs appeal

BY TONY JACKSON

MR BARNEY HAYHOE, the new Health Minister, asked doctors to be more aware of costs of drugs prescribed on the National Health Service when making his first public speech since replacing Mr Kenneth Clarke in the ministerial reshuffle two weeks ago.

The UK pharmaceutical industry and government have been at loggerheads on introduction of a limited list of drugs available on prescription this year.

He said his department and the industry were discussing pricing to provide more stability. He hoped to turn the page on sharp differences between government and doctors on the list's introduction.

The industry has said the measures could lead to diagnostic drift. Doctors denied the option of prescribing certain drugs could exaggerate diagnosis and instead of prescribing a cheaper antacid for indigestion might diagnose an ulcer, to prescribe a more expensive anti-ulcer drug for the same effect.

Buyout for Pudsey electrical engineer

R. F. WINDER Electrical, the Pudsey-based electrical engineering group, has been bought from the receiver by a consortium consisting of its manager and the West Yorkshire Enterprise Board.

The company, which makes and refurbishes industrial electrical equipment and distributes three lines of electric motors, went into receivership in July as part of the Winder Group.

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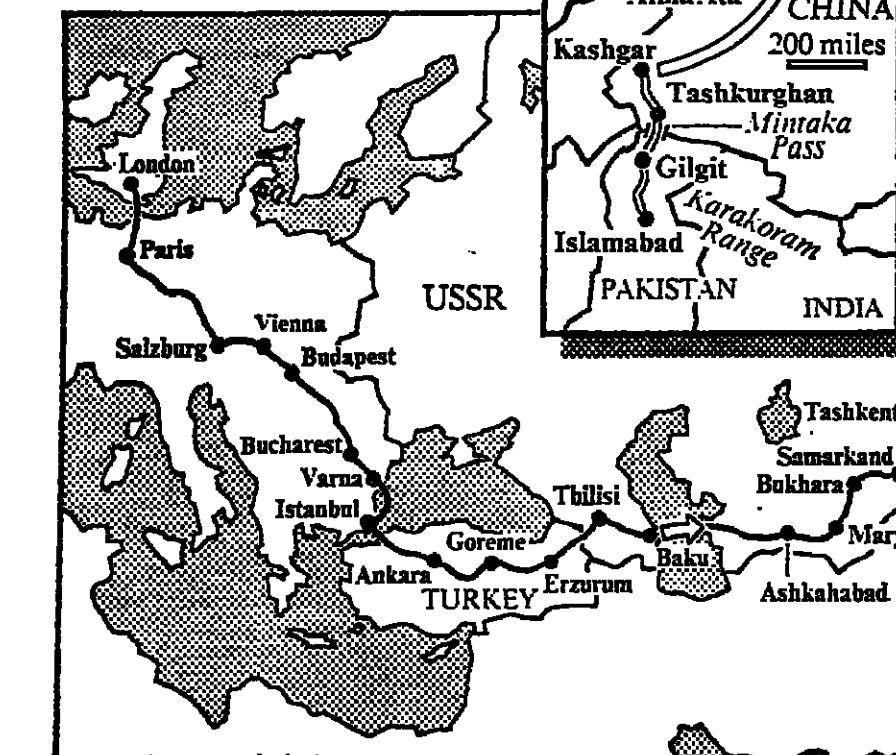
THE WORLD'S GREATEST JOURNEY

A commemorative journey marking 2100 Years of the Silk Road.

At 09.15 hours on the 15th September 1985 the first of ten chartered trains will depart London Charing Cross for Chang 'An (Xian) in the People's Republic of China.

The journey follows the original route of the Orient Express from Paris to Istanbul, then across the Anatolian Plateau to Kars/Mount Ararat, along the Golden Road to Samarkand, over the Tian Shan Mountains into China, and along the fabled Silk Road across the Gobi Desert to Chang 'An, the historic terminus of the Silk Road.

The journey for the most part will be accomplished with the use of steam traction with overnight stops at some of the world's most fascinating cities, Paris, Salzburg, Vienna, Budapest, Bucharest, Sinaia, Varna, Istanbul, Ankara, Caesarea, Sivas, Erzurum, Kars, Mount Ararat, Tbilisi, Baku, Bukhara,

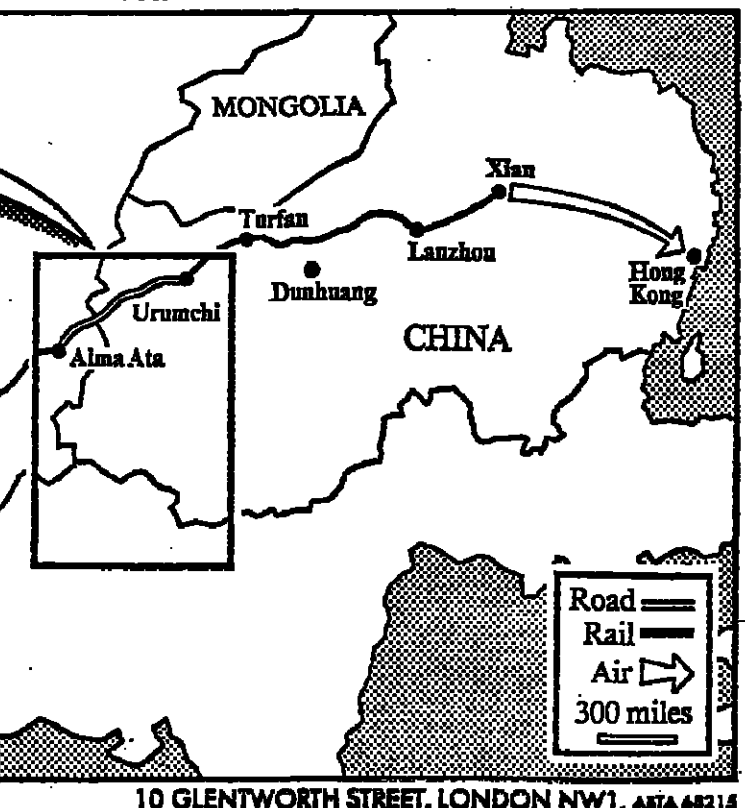


Samarkand, Tashkent, Alma Ata, Inning, Urumchi, Turfan, Dunhuang, Jiuquan, Lanzhou, Chang 'An (Xian).

The journey has taken five years to plan, borders between the Soviet Union and China will be opened for the first time to let the 130 passengers from all over the world through.

We give our thanks to Mr Garbaczow, Mr Yao Yi Lin, Mrs Thatcher, the office of Mr Perez De Cuellar, the staff of Intourist, China Railways, Soviet Railways, Turkish Railways, Rumanian Railways, the Wagon Lits Company, SNCF French Railways, and many more who have all been asked to assist us in achieving this remarkable feat of travel engineering.

To the accompaniment of the Royal Artillery Band, Chinese Lion Dancers, Scottish Pipes, the first of 28 such bands and folkloric troupes along the route, and in the presence of His Excellency The Ambassador of the People's Republic of China Mr Hu Dingyi you are most welcome to attend the departure celebrations starting at 08.30 hours to 09.15 hours on 15th September at Charing Cross Station. The journey will also operate in the spring and autumn of 1986.



VOYAGES JULES VERNE

10 GLENTWORTH STREET, LONDON NW1. AREA 62115

UK NEWS

Arthur Smith on Birmingham's fight to pull out of recession

Riot city's industry drive

PHOTOGRAPHS IN the world's press of rioting youths and burning buildings in Birmingham's Handsworth district could hardly have come at a worse time for a proud city that thought it was just beginning to fight its way out of recession. A publicity campaign, "Birmingham means business," has been launched to back the city's economic initiatives and drive for industry. Birmingham captured international attention recently when it beat out London and Manchester to lead Britain's bid to host the 1992 Olympic Games.

Work is progressing on a £130m convention centre which Birmingham believes will give it an important share of a growing international business. A £200m project to double the size of the successful National Exhibition Centre has been announced.

The enthusiasm showed by the Labour-controlled local authority has spread to the financial quarter, just 10 minutes' walk from the looting.

Mr Simon Sharp, senior partner in Albert B. Sharp, stock brokers, said: "Things are really starting to happen. There are some exciting companies coming through."

Mr Peter Bromage, senior partner in Eveready and Tomkinson, commercial lawyers, said: "Birmingham is beginning to show its entrepreneurial flair again."

Against that background, local politicians and businessmen were keen to play down this week's outbreak.

"It's business as usual," says Mr Dick Knowles, veteran council leader. Birmingham is not without political extremists and there is no lack of rhetoric in the council chamber. Nonetheless the city maintains a consensus about economic initiatives and job-creation regardless of swings of the political pendulum.

Mr Neville Bosworth, the Tory leader, emphasised this by sitting beside Mr Knowles to pledge his party's support for immediate action to help those affected by the riot.

The events and the scale of unemployment and social problems facing the city must, however, raise the question of whether Birmingham might not rebel and follow the militant line of councils such as Merseyside and Lambeth.

This is a warning no doubt

issued privately by Mr Knowles in conversations he had this week with Mr Kenneth Baker, new Environment Secretary.

Mr Knowles says he will lead an all-party delegation to Whitehall to seek not just funds for the clean-up after the riots but also for more government rate support grant.

He says Birmingham has a better race relations record than any other UK city but

local and central government. To dampen down economic overheating in the booming Birmingham of post-Second World War Britain successive governments vetoed development projects, directing enterprises to depressed areas.

The council, as part of its slum-clearance and urban highway programmes, forced out hundreds of small businesses, the back-street metal-

factory in 1962. Is Smethwick and West Bromwich. "Displacement" names of engineering companies and foundries such as GKN and Birmid have cut back to leave rambling sites ripe for developers only.

It is not just Handsworth that is beached. More mobile, prosperous Brummies who moved to new housing at rural Tamworth with a view to commuting also now suffer more than 20 per cent unemployment.

Mr Knowles has called for an independent inquiry into the Handsworth riot. He has the air of a seasoned politician genuinely perplexed and saddened.

"If these young people were protesting against unemployment, inequalities—perhaps the capitalist system—why did they burn down the homes and shops of their own mates?"

He is convinced it is not a problem at which money can be thrown. More than £20m has been spent in recent years on home improvements, health and services.

Nor is it necessarily a problem of bad housing. "Birmingham people have suffered poor accommodation for decades without revolting, but then unemployment was probably only about 2 per cent," one government official said.

Mr Knowles says government only can help deal with a problem of massive structural unemployment. He points proudly to his own authority's initiatives, to the workshops he officially opened this week at a brick's throw from the riot area. They employ about 150 black women.

"I would like to do much more of this but women making frocks will hardly solve the problem," he said.

The big companies still dominate. The city council says about 10 still account for nearly one in two manufacturing jobs. "We are bargaining with multinationals who can get special incentives from other parts of the country and from overseas," he said. He insists the Government must have a role in such decisions. He hopes it will respond to the plea for resources.

We as a local authority must have the ability to throw our arms round all our people and offer them protection, whether they are white, black, brown or whatever colour.

"We are all Brummies and proud of this city."

bashers on which Birmingham built prosperity.

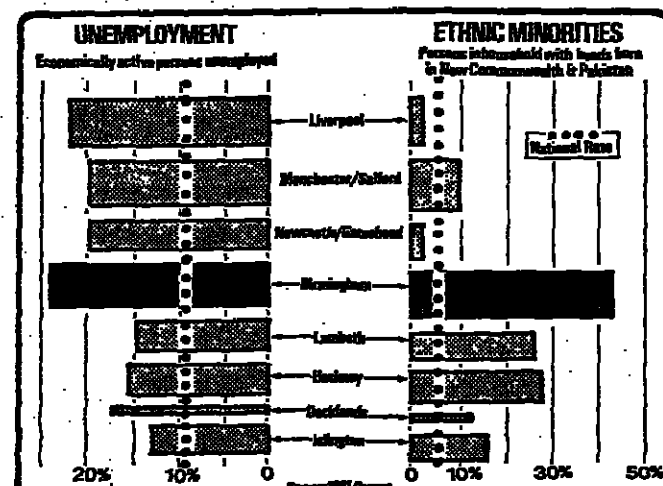
Areas like Handsworth offered the chance of low-cost housing for immigrants brought in to staff expanding service and manufacturing industries.

A bad situation in 1979 has been worsened by the pace and length of a recession that has swept away jobs, companies and factories. Between 1980-83 about 90,000 jobs were axed. Almost as many as were lost in both Scotland and Wales between 1971-84.

Primarily residential areas such as Handsworth, albeit artisans' dwellings pre-First World War, are left like a beached whale surrounded by a desert of derelict sites and decaying factories.

The issue of creating manufacturing jobs in Handsworth is almost academic. Amid the crush of housing there are but two vacant sites of more than two acres.

Northwards along Soho Road, the home of the Industrial Revolution where James Watt and Matthew Boulton opened the world's first purpose-built



The depth of each bar is proportional to the population living in each area

needs more funds for the extra demand on services as it struggles to accommodate a declining tax base and rising poverty.

The Environment Department has identified it as the city with the biggest urban-deprivation concentration.

The partnership area is the zone designated in 1973 for special treatment by local and central government and health authorities. Its core has:

- The highest unemployment rate, particularly for 16- to 19-year-old males.
- The fastest increase in the level of joblessness.
- The worst overcrowding.
- The largest concentration of ethnic minorities.
- The biggest proportion of single-parent families.

Even before the start of the latest recession Birmingham's inner area contained a volatile mix of high concentrations of the poorest, the young, the old, the coloured and the disadvantaged.

Indeed, the problems of Handsworth and a ring of other inner-city districts were exacerbated by the "enlightened" policies of both

limited misuse of public funds will become increasingly pervasive."

Examples cited include council funding of political festivals and backing for workers taking industrial action, including payments to town hall staff to join miners' rallies during the coal dispute.

"There should be an effective prohibition on the use of those powers for political and partisan activities." Conditions of full and open accountability

The paper, from the Department of the Environment, Scottish Office and Welsh Office, spells out the case for new controls, pointing to "the use of local authority resources and facilities to disseminate councillors' political views and to develop networks of political and electoral support."

"Without such measures there must be a very grave risk that the reputation of British local government for probity and impartiality will be seriously jeopardised and that the presently

limited misuse of public funds will become increasingly pervasive."

The paper states that should general discretionary spending powers be retained, alongside statutory powers related to specific obligations, "they must be accompanied by measures to ensure effective accountability and to prevent politically interested exploitation."

The committee, under Mr David Widdicombe, QC, was set up in February and is due to report next spring.

Although, in general, authorities seemed confident that competition was genuine, there were few signs that authorities were actively trying to promote it.

Specifically, the survey found that contracts were not being awarded to the lowest bidder; of 75 contracts cited in local government, 18 did not go to the cheapest tender.

The survey team was concerned that the results of tendering procedures were not generally available to the public and that in-house work teams were not subject to the same constraints as contractors who faced penalty sanctions for poor performance.

Finally, there was evidence that entry to the contracting market was being denied, creating the danger of cartels and collusive arrangements. Only 25 per cent of councils had competitive tendering policies, with most others inviting an average of eight contractors to bid.

Public Money, Volume 5 Number 2, 3 Robert Street, London WC2N 6BH.

Their report follows a survey of the experience of contracting-out in the National Health Service and in local government, and says the Government has not fully thought out its approach to the subject.

Mr Keith Bartley, director of the Institute of Social and Economic Research at York, and Ms Meg Huby, a research fellow there, make their assessments in the latest issue of Public Money, the quarterly journal of the Chartered Institute of Public Finance and Accountancy.

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It suggested, however, that the authorities were not always introducing competition most effectively. The report

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LABOUR

Joseph rejects moves to break teachers' deadlock

BY DAVID BRINDLE, LABOUR STAFF

EDUCATION authority employers can expect no further help from the Government to break the deadlock in the teachers' pay dispute in England and Wales, Sir Keith Joseph, Education Secretary, has made clear.

At a meeting arranged hurriedly following the breakdown of pay talks on Thursday night, Sir Keith rejected four proposals put to him by Mrs Nicky Harrison, leader of the employers' majority Labour group.

Mrs Harrison asked, firstly, for an increase in the overall value of the additional money being offered by Sir Keith for teachers' pay on condition the unions agree a new contract.

The Government says this money is worth a total £125bn over the period from 1986 to 1990; the unions say it is only £450m if double-counting is excluded.

Secondly, she sought the Minister's consent to bring forward more of the 1986 cash to this year to increase the 1985 pay offer for the 414,000 teachers from the present 3.85 per cent to 4.5 per cent.

Thirdly, she requested that the October 11 deadline for agreeing a new contract be put



Sir Keith Joseph: "I was unable to help."

back to allow more time for fresh talks. Fourthly, Mrs Harrison asked for the release from the Government's overall offer of the cash earmarked for payment of teachers and other staff to supervise pupils at midday.

Sir Keith, who had cut short a two-day visit to Staffordshire to attend the meeting, said "No" on all four counts and emphasised that the offer of extra funding was an indivisible whole which would be withdrawn on or about October 11.

Later, he told reporters: "The only money offered conditionally by the Government was strictly tied to an aggregate over four years and was conditional also upon the substance of the offer not being sharply changed. So I was unable to help Mrs Harrison on any of the four points she inquired about."

The only easement offered by the Minister was the possibility of "a few days' grace" beyond October 11—the date by which allowance for the cash should be made in Government expenditure calculations—and an indication that a firm agreement on a contract might not be necessary.

After her meeting with Sir Keith, Mrs Harrison briefed officials at the conciliation service Acas on the state of the seven-month-old dispute.

It was stressed that the meeting was purely exploratory, but Acas does have a standing invitation to the unions to take up an offer of mediation or conciliation.

Mr Fred Jarvis, NUT general secretary, said he did not see what Acas could achieve unless it was able to influence Sir Keith who, he added, had "torpedoed the employers once again."

Another potential snag is that the two unions responded to BR's invitation to informal talks by stipulating formal negotiations within the industry's bargaining machinery. Contact between the two sides is expected over the weekend to try to iron this out.

The only passenger routes still affected by the driver-only dispute are five suburban lines running south from Glasgow, which have been closed since August 2.

Liverpool shop stewards to meet

SHOP STEWARDS representing 30,000 Liverpool City Council employees threatened with redundancy in the authority's financial crisis meet today to discuss their approach. They asked clerical staff not to process redundancy notices due to be dispatched after a council emergency meeting next Monday.

The employers will now operate the new arrangements without formal union agreement. They will receive substantial government aid in the form of help for all ports to fund the costs of a write-off of debt. This should allow a substantial cut in the redundancy levy on port employers.

In separate talks yesterday, the employers rejected the unions' claim for a cut in the working week to 35 hours and an increase in holidays from 22 days to 30 days.

The employers offered improvements in sick pay entitlements in the docks. The two sides also reached agreement on a 15 per cent improvement in pension benefits.

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Austin Rover Gartcosh denial

AUSTIN ROVER yesterday rejected suggestions from the Scottish TUC that it was deeply unhappy at the prospect of the closure of the Gartcosh steel plant in Strathclyde.

In a letter to Mrs Thatcher yesterday, the STUC said confidential minutes of a meeting between Austin Rover and the British Steel Corporation showed the car company expressing deep concern.

Austin Rover said: "The closure of Gartcosh will not give us any difficulties in ensuring that we get the volumes of steel we need from British steel mills."

Cleddau Bridge tolls to cost more

TOLLS ON the Cleddau Bridge, which saves a 30-mile detour around the river estuary at Milford Haven, Dyfed, are to be increased by 25 per cent from next month.

Tighter curbs urged on councils

BY RICHARD EVANS

THE GOVERNMENT is calling for tighter legal controls to be introduced over local authorities' discretionary spending powers.

In evidence submitted yesterday to the Widdicombe committee inquiring into the conduct of councils' business, ministers say they regard an examination of discretionary powers as essential.

The paper, from the Department of the Environment, Scottish Office and Welsh Office, spells out the case for new controls, pointing to "the use of local authority resources and facilities to disseminate councillors' political views and to develop networks of political and electoral support."

"Without such measures there must be a very grave risk that the reputation of British local government for probity and impartiality will be seriously jeopardised and that the presently

limited misuse of public funds will become increasingly pervasive."

Examples cited include council funding of political festivals and backing for workers taking industrial action, including payments to town hall staff to join miners' rallies during the coal dispute.

"There should be an effective prohibition on the use of those powers for political and partisan activities." Conditions of full and open accountability

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NHS competitive tendering may fail, report warns

BY DAVID BRINDLE

COMPETITIVE TENDERING in health and local authorities may fail unless faults are tackled, researchers at York University warn.

Their report follows a survey of the experience of contracting-out in the National Health Service and in local government, and says the Government has not fully thought out its approach to the subject.

Mr Keith Bartley, director of the Institute of Social and Economic Research at York, and Ms Meg Huby, a research fellow there, make their assessments in the latest issue of Public Money, the quarterly journal of the Chartered Institute of Public Finance and Accountancy.

The survey indicated savings averaging 26 per cent from competitive tendering for services—higher than most authorities' expectations, but lower than contractors' estimates.

It suggested, however, that the authorities were not always introducing competition most effectively. The report

said: "Although, in general, authorities seemed confident that competition was genuine, there were few signs that authorities were actively trying to promote it."

Specifically, the survey found that contracts were not being awarded to the lowest bidder; of 75 contracts cited in local government, 18 did not go to the cheapest tender.

The survey team was concerned that the results of tendering procedures were not generally available to the public and that in-house work teams were not subject to the same constraints as contractors who faced penalty sanctions for poor performance.

Finally, there was evidence that entry to the contracting market was being denied, creating the danger of cartels and collusive arrangements. Only 25 per cent of councils had competitive tendering policies, with most others inviting an average of eight contractors to bid.

Public Money, Volume 5 Number 2, 3 Robert Street, London WC2N 6BH.

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NCB and pitmen fail to agree on review body

BY HELEN HAGUE, LABOUR STAFF

THE NATIONAL Coal Board and the three mining unions yesterday again failed to agree on the composition of an independent review body which would make recommendations on proposed pit closures.

However, Mr Kevan Hunt, the NCB's head of industrial relations, said after the meeting that some progress had been made and that both sides had agreed to reconsider their positions.

During the talks, the board modified its proposal that the independent arbitrator be drawn from a panel of six lawyers nominated by the Senate of the Inns of Court.

The unions are now recommending the arbitrator should be drawn from a pool of three, adding a barrister nominated by Acas, the conciliation service, to their previous recommendation that two existing chairmen

of the reference tribunals should make up the panel.

It is understood that the board is keen to keep the industry's conciliation machinery covering pay and conditions separate from consultation, which considers closures.

The national reference tribunals are part of the conciliation machinery.

Yesterday's meeting was the ninth held to attempt to agree on the make-up of the independent element in the revised colliery review procedure.

The board has indicated that unless agreement is reached before October 4, pit closures will be reviewed through existing procedures.

Mr Hunt said yesterday: "The board insists that although no agreement was reached, and despite a compromise being rejected, they remain willing to meet further to resolve this outstanding issue."

Bank union link setback

BY HELEN HAGUE, LABOUR STAFF

THE PROSPECT of an imminent merger between the Banking Insurance and Finance Union and the non-TUC Clearing Bank Union has had a setback, following the decision of one of the CBU's constituent bodies to give its general council power to withdraw from the union.

The fifth round of merger talks between BIFU and the CBU is due on Monday. Later that week, the CBU's annual conference will debate the merger issue in Liverpool.

However, the move by Lloyds Bank Group Staff Union to give its governing body power to leave the CBU has raised the stakes for the non-TUC union.

The decision, taken earlier this week, raises the possibility of a break-up of the CBU over the merger issue.

Saturday September 14 1985

Mrs Thatcher's cold summer

THE SHARP fall in inflation this month, down from 6.9 per cent to 6.3 per cent in one step, is welcome news for the Government not only for its own sake—for the second month in succession, the figure is rather better than was expected, and not only because the Government has been badly starved of good news. It may also restore some credibility to Ministers who have at the moment fallen very low in electoral esteem.

Disenchantment

The trouble is that while the Chancellor now chooses to treat broad money as a relatively unimportant number, the electors may prove almost as unexcited about inflation itself. The Government's unpopularity, which this week pushed the centre-party Alliance to the top of the opinion polls for the first time in four years, seems to be based not so much on dissatisfaction with what the Government's policies have achieved or failed to achieve as on a growing disenchantment with the Prime Minister herself, and with her closest political allies in the Cabinet, who are universally regarded as inept. The nation feels neglected; the mood was perhaps most tellingly illustrated in popular comments on the ugly riot in Birmingham this week. There was disgust, but no shock—and frequently some surprise that it had not happened before.

Mrs Thatcher is probably as much a victim of her own successes, especially in tackling trade union power and in rolling back the boundaries of State control—as with her failure so far to reverse the trend of unemployment or to produce any convincing entrepreneurial revolution.

The extent of her success was also shown in the recent conferences of the trade unions and of the Social Democratic Party. The doctrinal puritans of the TUC simply caved in when faced with the militant common sense of the two biggest craft unions over government money for balloting. Shortly afterwards the leader of the Labour Party, Mr Neil Kinnock, announced that he would not be bound in any way by the one militant success at the TUC, Mr Arthur Scargill's call for compensation for all the money lost in his disastrous miners' strike. Mr Norman Willis, the new general secretary of the movement,

made repeated stands for realism, as was recognised this week with an invitation to talk with the new supply-side Employment Secretary, Lord Young. A mellowing government and a chastened union movement may soon be on speaking terms again.

However, the rhetoric of the Social Democrats showed more vividly than this possible trade union truce how far Mrs Thatcher has shifted the centre ground of policy discussion in Britain. Dr David Owen was able to win repeated applause for a speech accepting a Thatcherite approach to markets from a conference which then reaffirmed its identity as the spokesman of the modern centre-left.

Mrs Thatcher, in short, faces the problem which has faced the winners of victories in all ages: how do you follow up victory? The British electorate was prepared to retire Mr Churchill unceremoniously, at the peak of his personal adulation, because his job was done. It may show less compunction for a leader who has inspired only reluctant admiration, and no warmth.

On this analysis, no public relations effort to draw attention to the warm heart which Mrs Thatcher actually does possess within her sometimes strident exterior, will make much difference. What she now needs is some new dragons requiring the continuing employment of a knight-errant. She has shown some appreciation of this in her eagerness to get personally involved in such issues as football hooliganism; nothing, however, has yet appeared.

Her predecessor, Mr Edward Heath, would have had no difficulty in identifying issues on which much could be achieved if public opinion could be moved: a campaign to mobilise the EEC to tackle what are continent-wide problems of unemployment and technical backwardness on a European scale, and to stress a European approach to world problems; and locally, a determined effort to change the rules in Northern Ireland, in association with the most amenable government in the Republic that could be hoped for.

The sudden change of ministers in Ireland, and the pathetic muddle in Brussels over European sanctions over apartheid shows how far such possibilities are from Mrs Thatcher's way of seeing things.

There is therefore a widespread view in the UK, which is beginning to be reflected in international investment comment, that Britain is approaching a political change within the next two or three years. That political perception, and what it implies for sterling, may have a growing influence on the UK economy from now on.

YESTERDAY'S interim report from the Accidents Investigation Branch of the Department of Transport into the causes of the Manchester crash of a Boeing 737 of British Airways last month, has again focussed public attention on aviation safety. Following the succession of major air disasters in recent weeks, some of the questions uppermost in the public mind are posed and answered.

Q: How safe is it to fly?

A: As safe as, and perhaps even safer than, other forms of transport. Last year, 832m passengers flew on scheduled services world-wide, with the loss of 224 lives. If non-scheduled (chartered and other) operations are included, probably close to 1bn passengers flew. The scheduled airline fatality rate was 0.03 deaths per 100m passenger-miles flown, the best yet recorded in civil aviation. That has been marred this year with over 1,700 killed, but most of those were covered by five accidents, one of which the Japan 747 killed 520, and another Air-India 747 killed 329.

Q: Have the last few weeks been an exceptionally bad period?

A: Yes, with five major accidents within a short period, and several incidents requiring emergency procedures to be adopted. Some of the latter would never have hit the headlines but for the major accidents, indicating a rise in public sensitivity to the air accident situation. Nevertheless, nothing can disguise the fact that the five major accidents have occurred, disturbing public confidence in air transport.

Q: Are there any common factors in the recent spate of accidents?

A: No. The Air-India 747 loss remains a mystery, although sagatage has been suggested. The Japan Air Lines crash near Tokyo may have been caused by failure of a critical part of the fuselage or tail. The Manchester British Airways Boeing 737 crash appears to have been due to failure of a burner can in an engine combustion chamber. The Dallas Delta Air Lines TriStar crash was due to severe weather. The Milwaukee Mid-west Express McDonnell Douglas DC-9 crash may have had some connection with engine fire. No official confirmation of any of these theories has yet emerged, and nothing has been formally established.

Q: Do all these accidents suggest that any specific aircraft type has a greater safety risk than any other?

A: No. They have involved a disparate number of types—two Boeing 747s, one Lockheed TriStar, one Boeing 737 and one McDonnell Douglas DC-9.

Q: Or that engine fires are shorter than currently believed to be safe?

A: No. In the two accidents where engines (both Pratt and Whitney) could be suspected, the Manchester 737 and Milwaukee DC-9—precise causes have yet to be determined. Combustion can failure (a non-moving part) is rare, turbine failure (a moving part) less so. The investigations now under way may recommend shorter working lives for engines or parts, or more frequent checking, but there is no evidence yet that this is necessary.

Q: It was alleged by the U.S. Federal Aviation Administration, although the allegation was subsequently withdrawn, that British Airways had been running its engines on the 737 too hot, and that this might have contributed to the Manchester crash. Is there evidence for this?

A: No. BA denied the U.S. allegation, which the FAA any way claimed was a misrepresentation of what had been said. The pilot on any aircraft decides what power settings are needed, in the light of such factors as the temperatures prevailing on the day, the aircraft load, and the runway length available. Other factors, such as noise abatement procedures soon after take-off, have to be considered also. Moreover, engine operating temperatures are specified as part of any aircraft's Certificate of Airworthiness, to which airlines must legally adhere.

Q: Who lays down the rules for air safety?

A: The UK regulatory body is the Civil Aviation Authority, set up by Act of Parliament. It is responsible for granting Certificates of Airworthiness for all aircraft on the UK register (whether foreign-built or not). If it is not satisfied with any aircraft's construction or performance characteristics, it has absolute legal power to refuse a Certificate of Airworthiness until whatever it wants changed. If it is uncertain, it can ground an aircraft type and take away its Certificate of Airworthiness. Similarly, the CAA can take away any UK airline's Air Operator's Certificate if not satisfied as to that airline's operational capability.

Q: What checks are made during an aircraft's flying life?

A: Every manufacturer issues a maintenance schedule, which in the UK the CAA has to

SAFETY IN THE AIR



The answers to some nagging questions

By Michael Donne, Aerospace Correspondent

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Q: What checks are made during an aircraft's flying life?

A: Every manufacturer issues a maintenance schedule, which in the UK the CAA has to

approve, which calls for progressively tougher checks the older an aircraft becomes or the more hours it flies. If an airline disobeys those rules, it becomes illegal in operating the aircraft, and bears sole responsibility for any problems that might subsequently occur. Few airlines, if any, would dare disobey the schedule, for the penalties at law, especially in the U.S. under "product liability" laws, can be fearsome.

Q: How long is an aircraft's average flying life?

A: The average is about 20 years, but often it can be very much longer, provided critical parts are renewed. Before given a C of A, an aircraft type is tested to destruction, to determine "fatigue life" and basic structural strength. One flight cycle (take-off, cruise and landing) is simulated every few minutes: many thousands such cycles are simulated, before the aircraft passes up so that a "safe life" can be calculated, equivalent to a specific number of flying hours or years of service. Similarly, engines are put through ground and flight tested running to determine their "safe lives".

Q: Where manufacturers (or the regulatory bodies, which monitor these tests) are not satisfied, the parts are redesigned, and re-tested, until all parties are satisfied. The test results are taken into account in awarding ultimate Certificates of Airworthiness, without which the aircraft and engines cannot fly in public transport service. As an aircraft gets older, and close to its safe life "threshold," it has to pass again a severe "structural integrity audit," where critical parts are tested, and replacements ordered if necessary.

Q: Is there any formal obligation on airline and engine makers to tell all their cus-

tomers of checks becoming necessary, or modifications required?

A: Yes. The makers regularly circulate all their customers with details of problems encountered. It then becomes the operator's responsibility to check their own equipment for possible similar defects. The regulatory bodies can order checks if a problem arises about which they are uncertain. For example, the CAA ordered checks on 737 combustion cans following the Manchester crash without waiting for the FAA. The latter followed suit within hours.

Q: When checks are ordered by regulatory bodies, is there any independent assessment of how they are carried out?

A: The regulatory body itself normally monitors what is done. In the Japan 747 case, however, it does appear that some repairs to the rear bulkhead of the aircraft were incorrectly carried out in 1978. Why this was not uncovered at the time is not clear, but the matter is being studied by the Japanese authorities.

Q: Does this indicate the need for any independent international air safety body, with its own employees, able to police what goes on?

A: The International Civil Aviation Organisation (the aviation technical agency of the UN) fulfils this function, in that it can and does provide personnel to oversee what is done in poorer countries, but it generally leaves the matter to the individual national regulatory bodies in most member countries, because it has neither the personnel, nor the cash, to police independently everything that is done by everyone, everywhere, worldwide in civil aviation. To do so, or set up another body,

would require thousands of employees and millions of pounds, and be difficult to administer world-wide. The belief is that current monitoring procedures, if strictly observed, should be adequate.

Q: What international rules do countries and airlines have to meet?

A: The ICAO lays down standards, to which all its member States, which are signatories to the Chicago Convention on Civil Aviation, are required to adhere. If any State does not adhere it risks losing its rights to over-fly other countries, because its aircraft lose the international recognition by other states of the validity of its Certificates of Airworthiness—ie its aircraft are then regarded as unsafe, and banned. In practice, virtually all States build the ICAO standards into their own laws, and often make them much tougher than ICAO's original requirements, or follow the rules of the U.S. or Western European countries.

Q: Who says what the evacuation rules are for an aircraft?

A: The regulatory bodies. They commonly adopt an FAA rule that requires total evacuation of an aircraft within 90 seconds, with only half the available exits functioning, at a rate of 110 passengers per exit. The tests are conducted in darkened hangars, with non-aviation personnel of all ages and sexes, to try to get as realistic a situation as possible. In practice, this means getting 550 passengers out of a ten-exit Jumbo in 90 seconds with five doors out of action.

Q: Are these rules adequate?

A: Views differ considerably. Many believe the rules need changing. They are based only on a partial simulation of an accident, and do not take account of noise, smoke, injury,

or damaged seats, and baggage littering the cabin, all of which can impede movement and add to fear and uncertainty in a crash. Simulation is difficult: the aim is to try to find an acceptable international standard of evacuation that all can understand and implement. Whether the current rule needs revision is something which needs careful consideration. The record shows that the rule does work except in the most severe cases—such as the Manchester crash. The problem is what new standard should replace it.

Q: In the light of the Manchester crash, where many died through asphyxiation, is there a need for more stringent rules on cabin furnishings?

A: Yes. Before this accident, there were new UK requirements for the introduction of fire-resistant seats by British airlines. New aircraft must have these improved seats by July 1 1986, and older aircraft by December 1 1987. Seats of the new standard will start being fitted in some British aircraft from next month. Detailed examination of fire-resistant materials for cabin walls and ceilings is also in progress, with a view to more stringent requirements being formulated.

Q: British Airways has reduced the number of emergency exits on its 747s from 10 to 8. Is this right, and who authorised it?

A: The modification was undertaken after consultation with both the FAA and the CAA. BA did it because even with eight exits, instead of 10, it could still meet the evacuation rule, getting 440 passengers out of only four exits in 90 seconds. Moreover, it claimed the overwing exits, now eliminated, had chutes that, when deployed, fouled the chutes of other doors. Many believe this is an argument for redesigning the chutes, not reducing the number of doors. The easiest aircraft to get out of is the one with most exit doors. BA is now in a difficult position, because although the FAA originally approved the change, it is now arguing contrarily that it is not desirable, and recommending U.S. airlines to adopt it. BA may still be obliged to revert to 10 exits as a result of public pressure and FAA disapproval.

Q: Are commercial pressures generally bringing down aircraft safety?

A: Many people feel that the desire of many airlines to pack more and more passengers in three-abreast either side of the aisle in a narrow-bodied aircraft, for example—is unacceptable, if only because it can impede movement in times of emergency (in such configurations, it can be difficult to move about even under normal circumstances, such as to go to the loo). But the competitive pressure to maximise revenues is intense. The passengers are just as much responsible: they want cheap fares, and the airlines try to oblige, and evermore cramped aircraft result.

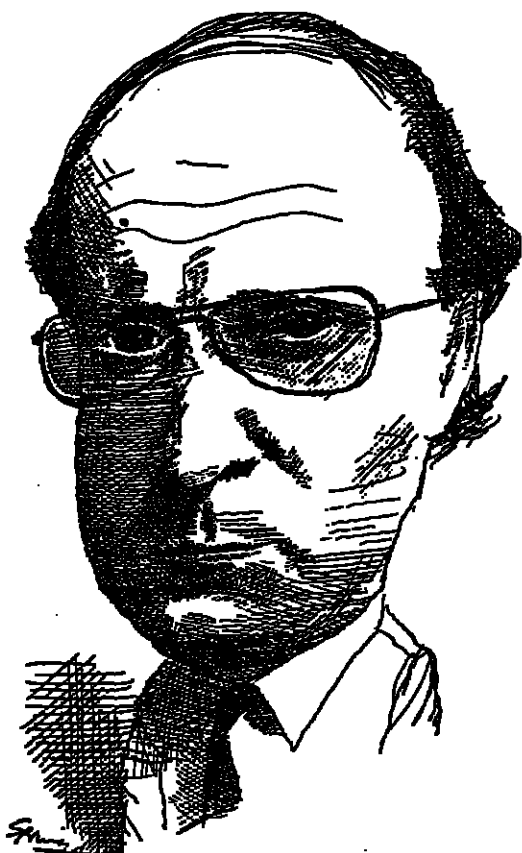
Many passengers still doubt the wisdom of the current cramped seating, especially on many tour aeroplanes. This problem is closely related to the question of changes in the evacuation rule. Also, many believe that there should be restrictions on the amount of hand baggage carried in aircraft cabins, including duty-free goods, and that special separate storage areas should be provided for such items, at the front and rear of cabins, in addition to bigger and stronger overhead storage bins.

Man in the News

Christopher Ross

At the wheel of the Molins buy-out

By Charles Batchelor



CHRISTOPHER ROSS will tomorrow take a back seat in business when he climbs into his 1968-vintage Lotus for the start of an exhilarating day's racing at the Oulton Park circuit in Cheshire.

Already, it has been an exhilarating week for Ross, who on Wednesday disclosed plans for an audacious £50m management buy-out of Molins, the South London-based engineering group specialising in machinery for making and packing cigarettes, where he is managing director.

In the U.S., leveraged buy-outs, as they are usually known, have become commonplace. The boards of several large corporations have purchased their company's shares, repaying the funds borrowed out of earnings or the sale of parts of the business.

But in the UK this had never been tried by the management of a quoted company until the board of Haden, another engineering group, launched a successful £56m buy-out last June to ward off a hostile takeover bid from Trafalgar House.

The unusual feature this time is that the Molins scheme has been prompted not by the attractions of an unwelcome predator—which may yet appear—but by what the directors say is a tactical need to transform themselves from a publicly quoted company into a private concern.

"Molins will benefit greatly from the confidentiality which comes from being a private company," says Mr Ross. "Our is an unusual market in that we only have two or three major competitors and they are all private companies."

"This is a long-term business. It takes six or seven years to develop a new piece of machinery and we need an uninterrupted period to concentrate on developing our range."

It is still anything but certain that Ross and his fellow directors will win control of the company. A rise in Molins' share price early in the week forced them into the open before the financing had been arranged and made them specially vulnerable to a counter-bid.

"There is no horse-trading in a buy-out like this," said Ross. "It is a one-shot situation. The directors can only make one judgement about the value of their company. If someone else counter-bids they can't say: 'We got it wrong. Here's another 20p per share.'"

But sitting in the bare, high-ceilinged office he occupies at Molins' rambling Deptford headquarters, Ross gives every sign of relishing the challenge. "My initial reaction was to wonder if it could be done," he said. "We started from a position of virtually total ignorance and had to get knowledgeable very quickly. Everything takes longer than you think. There

are few experts on this subject in Britain."

Curiously enough, the future of a company which was run for its first 60 years, until the early 1970s, by the founding Molins family, will now depend on a man who has been there for less than 10 months.

Ross, a 41-year-old Lancastrian, was headhunted from GEC, where he ran the large machines division, to become managing director of Molins in January.

After graduating from Nottingham University with a degree in mechanical engineering, Ross spent two years with a machine tool company in the U.S. before coming back to

London for a spell in management consultancy.

In 1975, aged 30, he went to GEC for the first time, as general manager of its industrial and marine steam turbine division. "Budget meetings with Lord Weinstock shape one up quickly," commented Ross. "It was pretty stimulating though not always pleasant. It turns engineers into reasonably numerate accountants very quickly."

Ross had not been long at Molins' Evelyn Street headquarters before three factors crystallised in the idea of a management buy-out.

From dominating the world-wide market for cigarette-

making and packing machines for much of this century, Molins had been forced increasingly onto the defensive by tough competition from privately-owned rivals.

In West Germany, Haniel Molins' main competitor, is not subject to the regular scrutiny of shareholders. In Italy G.D. does not have to take into account short-term share price movements when drawing up financial and production plans.

Since Molins became a public company in 1976, its beleaguered managers have had to operate in the open. In this tightly-lit sector—annual world turnover £300m—secrecy is a premium.

The second factor behind the buy-out was the apparent enthusiasm of BAT Industries, the tobacco-based conglomerate, to dispose of its near-30 per cent stake in Molins. The Molins board is keen that this holding does not fall into hostile hands.

A third influence was Guaranty, one of a number of American investment banks expanding their activities in London and anxious to take a slice of the lucrative business of mergers and acquisitions.

The New York bank achieved a major breakthrough earlier this year when, jointly with Schroder Wagg, the British merchant bank, it initiated the management buy-out at Haden. Morgan saw similar possibilities at Molins.

A successful buy-out will not, of itself, solve Molins' problems, which are reflected in pre-tax profits of only £5m last year, compared with £12m in 1978. Turnover has moved sluggishly upward from £105m to £134m.

In Ross's view, Molins should develop its strengths. These are its reputation for high quality engineering, its extensive export network and its wealthy customer base.

Molins sells more than 90 per cent of its products abroad to private and state-owned cigarette makers. The tobacco companies are cash-rich, influential with governments because of their contribution to state revenues, and a possible target for other export products. Molins could either make or

THE SAVOY HOTEL PLC

Profits of the Savoy Hotel PLC rose by 40 per cent to a record £4,728,000 in the six months to 30th June 1985, from £3,374,000 in the same period of last year. Since the end of June business has continued at a satisfactory level and it is anticipated that the result for the full twelve months will show an improvement over 1984.

This performance demonstrates clearly the continuing popularity of the Company's hotels and restaurants amongst Londoners and visitors from home and abroad. It also underlines the determination of the Directors and staff to retain the independent management of the Company which owns four of the world's most renowned hotels.

During the period under review, £4,600,000 was spent on capital improvements and £2,400,000 on repairs, renewals and maintenance, thereby ensuring that all the Company's properties remain in first class condition, and retain their pre-eminence.

RECORD HALF-YEAR PROFITS

The directors of The Savoy Hotel PLC give below a summary of the unaudited consolidated results for the first six months of this year, compared with the first six months of last year. The figures are also given for the year ended 31st December 1984.

	Half Year Ended 30th June 1985 £'000	Half Year Ended 30th June 1984 £'000	Year Ended 31st December 1984 £'000
Total receipts	27,822	24,328	51,765
Profit before taxation	4,728	3,374	8,112
Taxation	1,500	950	2,218
Profit after taxation and minority interests	3,208	2,420	5,894
Earnings per share			
A Ordinary Shares of 10p each	11.32p	8.54p	20.76p
B Ordinary Shares of 5p each	5.66p	4.27p	10.38p

THE SAVOY CLARIDGE THE BERKELEY and THE CONNAUGHT
HOTELS in London and THE LANCASTER HOTEL
in Manchester

IN SPRING 1982, as the British task force was steaming south to the Falklands, a Soviet journalist — one of the 25 Soviets ordered out of Britain on Thursday for alleged spying — went down to the Royal Geographic Society's library in Kensington. He was a member, indeed frequently was, of the society, and asked to see what maps and information the society had on the south Atlantic.

"You see, we don't know much about that region, it's on the other side of the world to the Soviet Union," he told me later. "But I was deeply hurt when I heard, as I sat down, the society's secretary whisper to the librarian 'tell me afterwards what the Russian wants to see,'" the journalist claimed.

This anecdote illustrates the blurred line between legitimate information gathering, the proper job of diplomats, businessmen and journalists, and espionage or "intelligence activities," of which the 25 Soviets are accused. In this instance, which may or may not be part of the British security services dossier on the expelled Soviets, the UK Government was naturally very sensitive about any Soviet activities around the Falklands, yet Geographic Society information was not classified, perfectly open to society members, was not obtained for cash (apart from a society subscription), and was used, at least in part, in a freely-obtainable Soviet newspaper.

Evidently, however, the British Government feels that the 25 transgressed a clear line separating normal activity from the impermissible. That line has been conveniently drawn for it by Mr Oleg Gordievsky, the KGB-Western double agent who defected into British hands this summer.

Mrs Thatcher has taken a more consistently tough line than any of her predecessors, even Conservative, on Soviet intelligence activities. Forty Soviets have now been expelled on the grounds of espionage since 1981. To some extent, this appears to match an increase in Soviet efforts to get hold, by underhand or illegal means, of advanced Western technology, denied them legally by tighter Western export controls, as "distinct from classical espionage snooping around naval bases or army camps, is the noteworthy fact that of the 15 Soviets expelled between August 1981 and April this year, one third were Soviet armed services officers. They, like their British counterparts in Moscow get particular attention from the respective security services."

But the latest band of 25 are all civilian, and from a wider range of organisations than have ever been "purged"

Clues to Soviet expulsions

What the secretary saw in the library...

By David Buchan

before — not just the usual trio of the Soviet embassy in Kensington, the trade delegation in Highgate, and the Soviet media but also the long-established Moscow Narodny Bank, a foreign trade company and two international organisations based in London.

Never before has a British government so trumpeted a defection. It was sometime after 1971 that it emerged that the expulsion then of 105 Soviets was based in part on the defection of a KGB man, Mr Oleg Gordievsky. But Mr Gordievsky was apparently the KGB resident or chief in London, when he "flew the coop" this summer. Plaudits have been flowing in to London from other Nato capitals, particularly Washington, about the "catch" of Mr Gordievsky, who, once he has been totally debriefed by the British, will presumably be helping other Western intelligence services with their inquiries. But, if plaudits there be, some credit should go to the Dames who first "caught" Mr Gordievsky when he was in Copenhagen in 1968-70 and 1972-75, and then obligingly "passed" him on to the British.

Admittedly, the past few years may have been trickier for Mr Gordievsky, who arrived in London in 1982 with the rank of colonel, and for his British controllers. The attempted defection of Mr Michael Bettany, the MI5 officer, could have unseated him, and it may have been Mr Gordievsky's influence that led the Soviet embassy to ignore Mr Bettany's overtures.

Mr Gordievsky's own defection is not in itself a success

for British Intelligence, which might have hoped to "run" him for as many years as the Dames did.

What is opportune for Mrs Thatcher is that she has been able to demonstrate publicly, at a time when West Germany has again shown itself a leaky sieve in security terms, that she will take every step to protect secrets, both British and, if President Reagan cares to share Star Wars technology, American.

Whether her expulsion orders will really reduce Soviet intelligence activity in Britain is more moot. It all depends on what the band of 25 were up to. Every Soviet official coming to Britain is checked for loyalty, evidently rather cursorily in some cases, but checked nonetheless. Part of that loyalty is to supply the Soviet embassy with whatever is thought to be of interest to the Soviet state.

A survey of the formal activities of those expelled does not very closely match the known hi-tech priorities of Soviet industrial espionage. Of the six diplomats expelled, only one, Mr V. I. Kalitin, was in the embassy science and technical department. Few of the seven expelled from the Highgate trade delegation would have had plausible access to sensitive areas of British industry.

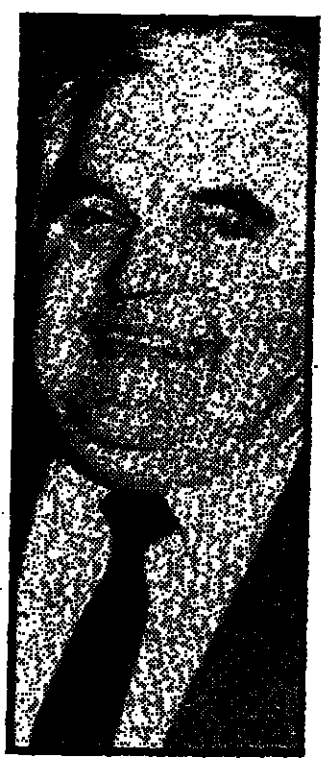
Only Mr O. P. Krasakov, dealing with imports of automotive equipment (possibly including robotics, now on the CoCom export control list), Mr V. O. Logush, dealing with export and import of computers and electronic components (much of

which is on the CoCom list), and Mr V. I. Lyubchenko, dealing with general machinery imports, might have got or been tempted to try to get technology which they could not have obtained above-board.

Outside their big trade delegation, the Soviets have a few other commercial organisations in London, and for the first time (apart from Aeroflot in April) they have been affected by expulsion orders. Mr V. A. Kotov, deputy manager of the Razono consumer goods trading company, has been given his marching orders, but apart from his combination of gregariousness and business acumen and journalistic expertise on China, his business is not really mainline.

For the first time since it was established in London in 1918, Moscow Narodny Bank has lost a member of its staff to a British expulsion order. Mr V. P. Ipatov, its director responsible for international money operations. According to one of his British colleagues, Mr Ipatov came to the bank "from the Soviet banking system," either the State Bank or the Foreign Trade Bank. Perhaps an ear in the marketplace, and contacts through Morgan Grenfell or the Bank of Scotland (which have a Moscow representative office under Moscow's Narodny's aegis) were useful to the Soviet embassy.

It may thus be wrong to assume, as much of the British media has this week, that all 25 of those now leaving are KGB, or might have passed to the KGB very sensitive information.



Ury Yezhov, one of those expelled

Italy's Gucci family

The battle that rages behind an elegant facade

By James Buxton in Rome

THE GUCCI shop in Via Condotti is not one of the flashy ones in the smartest shopping street in Rome. Its display windows are rather small, its staff are reserved, and the clothes, handbags and shoes on sale represent excellent taste rather than the latest caprice of fashion.

The elegant and respectful atmosphere there seems a world away from the battle of accusations, affidavits and acrid press statements now raging between the men who own it. The Gucci family appears to be tearing itself apart in a struggle over who should run an empire that consists not just of shops and a factory but of a very special style and, above all, a famous name.

Maurizio Gucci, the 37-year-old chairman and managing director of Guccio Gucci, the Italian company, had his 50 per cent stake in it sequestered last month because, the junior branch of the family maintains, the signature on the document under which they were transferred to him from his father was forged.

Gucci is one of the oldest and greatest names in Italian clothing. It was founded by Maurizio's grandfather Guccio in Florence in 1904 as a saddlery and bootmaker. Guccio's eldest son Rodolfo enjoyed himself as a film actor and only turned to the family business after the war. By then the foundation of Guccio's future prosperity had been well laid, thanks in large measure to the efforts of Rodolfo's brother Aldo, now an agile 73. It was he who opened the first Gucci branch outside Florence — the one in Via Condotti — in 1939.

Gucci grew with the Italian boom of the 1970s. It spread to other cities, both in Italy — where there is a branch in the opulent Via Montenapoleone — and outside. In the U.S. a separate company, Gucci Shops,



Dr Aldo Gucci flanked by two models

operates in New York and other great cities. Much of what they sell is made in the Gucci factory in Florence. Last year the sales of Guccio Gucci amounted to L190.8bn (£75m).

Though President Reagan said before protectionism made such sentiments impolitic that he would never wear any pair of moccasins but Guccio, the company has long since moved away from dependence on leather goods. It is famous for its headscarves, its coats, its pullovers and its jewellery. The emphasis has always been on the classical rather than the over-elaborate or ephemeral.

When Guccio Gucci, the founder, died in 1953, he was replaced and the Gucci name began appearing on jeans and tennis rackets. But he was seriously hampered in his reforms and in the crucial matter of cost control by the fact that he was only one of three joint managing directors. His two cousins, Giorgio and Roberto, running operations in Rome and Florence, were virtually autonomous.

But the defection of Paolo, who is now 58, from his father's family enabled Maurizio to stage what amounted to a coup. Last year he made himself chairman and sole managing director, pushed his cousins off the board of directors (their interests there are now represented by Giorgio's 27-year-old

son Alessandro) and tightened up the way Guccio Gucci is run. He also replaced as head of Guccio Shops in the U.S., his uncle Aldo — who, incidentally, is under grand jury investigation there for alleged tax offences.

Maurizio was able to push on with ways of expanding Guccio and making it more profitable. The distribution network has been made bigger, and operations are being set up outside Italy to make the most of the Gucci name through licensing.

But Maurizio's uncle and cousins, resentful and disapproving of these policies, would not take their defeat lying down. Last month they presented to a Florence magistrate a dossier on Maurizio's title to his 50 per cent stake in Guccio Gucci. It contained potentially damaging allegations by two Gucci employees: one said that he had

The battle is far from over: a key role in the drama could still be played by Paolo Gucci

divided his shares in the business equally between Rodolfo and Aldo. Rodolfo died in May 1983 and his son Maurizio now holds his 50 per cent stake — currently sequestered. His uncle Aldo holds 40 per cent and each of his three sons, Giorgio, Paolo and Roberto, is responsible for 3.3 per cent.

Paolo Gucci never co-operated very happily with his brothers. He left the business in 1980 and set up his own company, Paolo Gucci, which is the subject of litigation in the U.S. with his father Aldo. But, crucial to this story, he at least temporarily allied his 3.3 per cent stake in Guccio Gucci to that of his first cousin Maurizio.

When Maurizio first entered the business in 1982, he began making major changes. The best traditional lines were kept but 60 per cent of the range

son Alessandro) and tightened up the way Guccio Gucci is run. He also replaced as head of Guccio Shops in the U.S., his uncle Aldo — who, incidentally, is under grand jury investigation there for alleged tax offences.

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A horror of fees

From the Managing Director, Downs Court Financial Services.

Sir, — Mr Tilt (September 3) also seems to be "somewhat off target" when asserting that the public, in dealing with insurance brokers, obtain "independent advice without having to put their hands in their pockets."

As a broker, he presumably knows that a large part of the charges levied by insurance companies on policy holders is used to remunerate the intermediary.

That brokers are independent is probably true; however, your editorial (August 30) rightly attacks their claims to offer impartial investment advice and here, Mr Tilt, in common with other brokers in my experience, uses the terms "independent" and "impartial" synonymously.

The apparent horror with which he contemplates charging a fee "like other professionals" is, again, typical of most insurance brokers. And rather than being "unattractive to Mr Public" it is the broker for whom a fee system has the least attraction.

Perhaps it would be simpler all round if the insurance companies (and, indeed, other investment institutions) pursued with the "workage" element of their charges and sold their products to the public exclusively through licensed intermediaries. The intermediary would charge fees to clients for services rendered (possibly calculated by reference to Department of Trade approved formulae) thus resulting in a much closer correlation between effort and reward. This system, at least, may solve the problem of whose hand is in whose pocket.

Michael E. Gibbard, 29, The Downs, Altricham, Cheshire.

Prompt payment of debts

From Mr S. Allott

Sir, — Recent correspondence about cash flow has highlighted the importance of efficient credit management for businesses.

Legislation already exists to improve and enforce the prompt payment of debts and which provides for generous interest on debts paid late. Section 35A of the Supreme Court Act 1981 enables creditors to claim interest on overdue debts at a current rate of 15 per cent provided legal proceedings are issued before the debt is paid. Interest will run from the date the debt fell due under the payment terms, not the date proceedings were issued. Section 69 of the County Courts Act 1984 applies similar terms to debts under £5,000.

Letters to the Editor

The full effects of this legislation have possibly yet to be appreciated. A credit management system which included a system for the automatic issuance of proceedings once their cost was less than the accrued interest would be cost effective and profitable. The cost of proceedings should, however, be recovered in addition to the debt and interest. Simple debt collection proceedings are inexpensive and can be issued in the County Court without using solicitors. County Court proceedings require an issue fee of up to £40.

In similar vein, contractual interest provisions can be included in payment terms and the interest charged by ordinary trade invoice.

Although England and Wales do not have the sort of interest legislation which is found in many Continental legal systems providing for automatic interest on overdue debts nevertheless the new position is a step in the right direction.

S. A. Allott, 61 Balleter Road, SW2

Enterprise in London

From Mr D. Franklin

Sir, — The director of information, Mr John Palmer, states (August 31) that I have learned little about the operation of the Greater London Enterprise Board since October 1984. It is precisely because of the information which has come to light since that date that the wisdom of using rate and taxpayers' money in the manner it has been used has been called into question.

The "public accountability" to which it refers in its 1983-84 accounts was only available in November 1984 and out of the total number of company investments made, 56 per cent of those who published their accounts went bankrupt.

Perhaps a "narrowly short-range attitude to industrial finance" would have saved rate and taxpayers a great deal of their money had this been applied to these companies. I never, however, implicitly assumed anything of the kind in my letter but, perhaps Mr Palmer's Freudian slip hides a morsel of compassion towards the helpless ratepayers, taxpayers and creditors.

I am grateful to Mr Palmer for mentioning the independent survey by Thornton Baker. The "Jobs audit" states that project

executives were the prime source of data and that information was collated by means of a questionnaire. The report concludes that the results for the cost per job range from approximately £3,000 to £9,500. Two basic approaches were devised and 14 different methods of calculation were used.

The "£7,500 to keep someone on the dole for the year" figure was referring to the cost to the taxpayer of a couple with two children on average earnings. I requested Mr Palmer on November 7 1984 to produce evidence that the 2,000 jobs preserved or created were in this category. Perhaps he would confirm that the questionnaire sent to the project executives included this detail. (Mr Roy Hattersley, the Shadow Chancellor, put this figure at £5,500 on December 8 1984.)

Mr Palmer states that ratepayers' and taxpayers' contribution to the GLC is a better investment than their contribution to the direct and indirect costs of continued unemployment. As yet, ratepayers do not contribute to the direct cost of unemployment.

The whole UK retail sector employs 2.6m people, and had their rates not risen by 400 per cent over the past 10 years, many thousands of jobs would have been saved. If the monies provided for Enterprise Boards had not been invariably contributed, lower rates would have resulted. Many companies would still be trading and the job savings would have out-numbered those claimed to have been created by these agencies. D. G. Franklin, 121, Kennington Road, SE11.

Choice in education

From Mr K. Ratcliff

Sir, — Mr Mitchell suggests (September 5) that Eric Short missed the obvious option of each parent having the choice of placing their child into the state school system. In many cases this option is not so much missed as totally discounted by parents faced with the continuing threat to their children of grossly irresponsible teacher strike action, overcrowding in classrooms and the falling standards of classroom discipline and respect currently evident within the state school environment.

It would be wrong to condemn all state schools out of hand and in every case the private

versus state education argument must be resolved on the basis of local circumstances and personal disposable incomes. Far from being the "worst value for money anywhere" as Mr Mitchell suggests I regard the purchase of reliable interrupted education to the setting of small manageable class sizes as very good value for money if such standards are not otherwise available locally within the state system. The price that one is willing to pay for the value perceived is, however, a matter for judgment against the availability of disposable income and at this juncture we are talking of matters of personal choice. K. M. Ratcliff, Fairview, Alford Crossways, Alford, Surrey.

Parents and schools

From Dr R. Rajkumar

Sir, — As one of those of whom Mr David Mitchell (September 5) would doubtless approve, may I say a positive word about state education, since his labelling of parents who send their children to independent schools as uncaring has justifiably caused irritation and is hardly a defence of the public education system?

We are fortunate in being financially able to genuinely choose how our twin sons should be educated, and have opted to send them to the nearest state school. I admit to a level of prejudice on my part after having attended a university littered with the cocooned products of minor independent schools who shared a common attitude — that the world owed them a living because they had been privately educated.

My sons' first school in the London borough of Brent would cause a parent like Mr Martin Ketterer (September 10) to write. It was labelled in the area as "rough" and is still characterised by many of the problems of inner city schools. Yet by the time they left, the music teaching they had received would rival any at an independent school — at the age of 11 they were well on the way to RCM grade 5 for the violin and cello. Their art is also above average, and neither parent is musical or artistic.

If the aim of education is to guide a child into discovering his talents, then the teachers in Brent cannot have succeeded better in the case of my sons.

They may even be ahead of educators elsewhere insofar as the world of work for which the twins are being prepared will differ radically from the one known to us. Excellence in areas like art and music will matter as much as the ASs as leisure occupies more time.

The tragedy, of course, is that so many children are ground through the public and private education mills without ever discovering what it is that will give them satisfaction in life. To find the fault and correct it needs a level of objectivity which continues to be elusive, as the letters on the subject indicate.

(Dr) Renuka Rajkumar, Hawthorn Cottage, Upper Farringdon, Alton, Hants.

Site value rating

From Mr V. Salt

Sir, — Dr John R. Catch (September 10) is quite correct in stating that "Costs of local government service and redistribution of wealth are different things."

But site value rating is not about the redistribution of wealth: it is about collecting a fair contribution in respect of the public goods and services which result in the location value of each site. It is this "benefit received" by each landholder that is the basis of the site value rating. If there were no local services (provided at public expense) there would be no site value.

Victor G. Salt, 8 Ivor Court, Gloucester Place, NW1.

Two hidden meanings

From Mr T. Grey

Sir, — I am sure Christopher Dunkley (September 4) meant no offence by twice in a parenthesis referring to "Finchley Conservative" but some of us proud citizens of this constituency could well, regardless of party, have taken him amiss. But dear Mr Dunkley we really have no wish, even with you as our guide, to go down Pittdown way. Nor, I suspect, is our MP for that turning!

Incidentally, on a similar-looking point of linguistic licence, what precisely did film critic Nigel Andrews (September 6) mean by his choice of expression "baroque eroticism"? Tony Grey (Ms), 12, Arden Road, N3.

BUILDING SOCIETY RATES

	Share	Sub'n	Other
Abbey National	7.00	8.00	8.75/9.25/9.50 Five Star account—Instant access/no penalty 8.50 Higher interest account 90 days' notice or charge 5.50/6.57 Cheque-Save 9.05/9.50 "City" Cheque-Save — Easy withdrawal, no penalty
Aid to Thrift	10.20	—	
Alliance	7.00	8.00	8.75 BankSaver, Balance of £2,500. Current account. Balance under £2,500, 7.75. Minimum initial investment £200 8.80 Gold account. Minimum investment £500. Imm. wtd. 8.75 Premier 1-year/monthly min. £1,000. Imm. wtd. (pen.) 8.75 Instant gold. Annual interest. No notice or penalty 8.75 3-year bid, 90 days' not/pen. Differential 2.5 guaranteed 8.75 Capital plus £10,000+. Annual Int. 60 days' not/pen.
Anglia	7.00	8.00	10.75 2-year term share—£1,000+—3 months' notice 10.10 Special Invest. (28 days' notice) 10.10 monthly inc. w/o 9.50 No notice no penalty on up to 2 withdrawals per annum 10.75 3-year bond, 90 days' notice/pen. Differential 2.5 guaranteed 9.75 Capital plus £10,000+. Annual Int. 60 days' not/pen.
Barnsley	8.25	10.00	10.75 2-year term share—£1,000+—3 months' notice 10.10 Special Invest. (28 days' notice) 10.10 monthly inc. w/o 9.50 No notice no penalty on up to 2 withdrawals per annum 10.75 3-year bond, 90 days' notice/pen. Differential 2.5 guaranteed 9.75 Capital plus £10,000+. Annual Int. 60 days' not/pen.
Bradford and Bingley	7.00	8.00	9.50 No notice no penalty on up to 2 withdrawals per annum 10.75 3-year bond, 90 days' notice/pen. Differential 2.5 guaranteed 9.75 Capital plus £10,000+. Annual Int. 60 days' not/pen.
Bristol and West	7.00	8.00	9.75 Plus account £1,000+. No notice. No penalty 9.50 £20,000+. £10,000+. £8,000 £1,000+ 7-day notice Triple Bonus. Also monthly income 9.75 Special 3-month account, £5,000+, 3 months' notice
Britannia	7.00	8.00	9.75 60 days' notice 10.80 90 days' notice or penalty if balance under £10,000
Cardiff	9.75	9.85	10.80 90 days' notice or penalty if balance under £10,000
Catholic	7.30	8.30	10.00 £2,000+ Jubilee Bond. Monthly income. 90 days' notice 9.30 Guaranteed rate 2/3 years (or variable account)
Century (Edinburgh)	8.85	—	9.30 Guaranteed rate 2/3 years (or variable account)
Chelsea	7.00	8.00	9.85 Immediate withdrawal interest pen. or 3 months' notice 9.50 Gold. No notice, no penalties. £20,000+, 9.50 £50,000 £10,000, 9.50 £10,000 Under £10,000
Cheltenham and Gloucester	—	8.00	9.85 Immediate withdrawal interest pen. or 3 months' notice 9.50 Gold. No notice, no penalties. £20,000+, 9.50 £50,000 £10,000, 9.50 £10,000 Under £10,000
Citizens Agency	6.25	7.75	10.00 7 days. 10.00 1 month. 10.25 2 months. 10.85 3 months
City of London (The)	7.25	6.75	9.80 3 months' notice—no penalty—monthly income 9.20 7 days' notice. Immed. access for amounts over £2,000
Coventry	7.00	8.25	9.85 3-year bond £1,000+, close 90 days' notice and penalty. Monthly income option, guaranteed 2.85 differential 9.50 Moneymaker £20,000+. £25 £5,000+. £50 £1,000+. Instant access no penalty. Monthly income option
Derbyshire	7.00	8.25	9.75 3 months' notice. Up to 9.50 no not/pen. monthly int. 9.75 Super 60-day notice. Immed. access for amounts over £2,000
Frome Salwood	7.00	8.00	9.50 Gold Star £20,000+. No notice. No penalties. 8.25 £5,000+. 8.75 £1,000+
Gateshead	7.00	8.00	9.50 60-day account (no notice account 8.50/9.00)
Greenwich	7.00	—	10.85 6 months' not. £1,000 min. Access to balance £10,000+ 9.75 Instant Xtra. Immed. withdrawal no penalty 9.75 Instant Xtra. 90 days' notice/no penalty (£500 minimum) 10.80 Premium Xtra (£10,000 min.) guaranteed 2.00 diff. 3 yrs.
Guardian	8.50	—	9.80 and 9.55 High interest. 9.50 Gold Key
Hatfield	6.25	8.25	10.10 7-day notice. Immed. withdrawal no penalty 10.00 £20,000 High Rise wtd. no pen. Rate varies with balance 9.85 7-day a/c. 9.80 Magnum a/c 6 weeks + loss of interest 9.50 Income monthly no notice/penalty £5,000 minimum 9.50 High Rise no notice/penalty £20,000 minimum 9.75 Super 60-day notice. Immed. access for amounts over £2,000 10.15 Super share no not. 14 days' penalty £20,000 minimum 9.85 Super share £5,000 minimum. 9.25 £2,000 minimum 9.75 Monthly interest. 9.50 28 days' notice. 8.55 50 days' notice or penalty. notice or penalty. £10,000 still in account 9.50 HRAS 3 months' notice. 9.00 Liquid Gold no penalty, no notice
Heart of England	7.00	8.25	9.80 and 9.55 High interest. 9.50 Gold Key
Hemel Hempstead	7.00	8.50	10.00 90 days. 9.50 60 days. 8.75 28 days
Henley	7.00	8.00	10.10 7-day account. Minimum £500
Hinckley and Rugby	7.00	8.00	10.00 £20,000 High Rise wtd. no pen. Rate varies with balance 9.85 7-day a/c. 9.80 Magnum a/c 6 weeks + loss of interest 9.50 Income monthly no notice/penalty £5,000 minimum 9.50 High Rise no notice/penalty £20,000 minimum 9.75 Super 60-day notice. Immed. access for amounts over £2,000 10.15 Super share no not. 14 days' penalty £20,000 minimum 9.85 Super share £5,000 minimum. 9.25 £2,000 minimum 9.75 Monthly interest. 9.50 28 days' notice. 8.55 50 days' notice or penalty. notice or penalty. £10,000 still in account 9.50 HRAS 3 months' notice. 9.00 Liquid Gold no penalty, no notice
Lambeth	7.15	8.25	9.85 7-day a/c. 9.80 Magnum a/c 6 weeks + loss of interest 9.50 Income monthly no notice/penalty £5,000 minimum 9.50 High Rise no notice/penalty £20,000 minimum 9.75 Super 60-day notice. Immed. access for amounts over £2,000 10.15 Super share no not. 14 days' penalty £20,000 minimum 9.85 Super share £5,000 minimum. 9.25 £2,000 minimum 9.75 Monthly interest. 9.50 28 days' notice. 8.55 50 days' notice or penalty. notice or penalty. £10,000 still in account 9.50 HRAS 3 months' notice. 9.00 Liquid Gold no penalty, no notice
Lamington Spa	7.10	—	10.10 7-day notice. Immed. access for amounts over £2,000 10.00 £20,000 High Rise wtd. no pen. Rate varies with balance 9.85 7-day a/c. 9.80 Magnum a/c 6 weeks + loss of interest 9.50 Income monthly no notice/penalty £5,000 minimum 9.50 High Rise no notice/penalty £20,000 minimum 9.75 Super 60-day notice. Immed. access for amounts over £2,000 10.15 Super share no not. 14 days' penalty £20,000 minimum 9.85 Super share £5,000 minimum. 9.25 £2,000 minimum 9.75 Monthly interest. 9.50 28 days' notice. 8.55 50 days' notice or penalty. notice or penalty. £10,000 still in account 9.50 HRAS 3 months' notice. 9.00 Liquid Gold no penalty, no notice
Leeds and Holbeck	7.00	8.75	9.80 and 9.55 High interest. 9.50 Gold Key
Leeds Permanent	7.00	8.00	9.80 and 9.55 High interest. 9.50 Gold Key
Leicester	7.00	8.00	9.80 and 9.55 High interest. 9.50 Gold Key
London Permanent	8.75	—	11.00 60 days' notice or imm. wtd. no penalty if bal. £7,500+ 9.75 Prestige £500. 2.75 gtd. 3 yrs. 3 months' notice/penalty monthly income £1,000
Midshire	7.00	—	9.80 and 9.55 High interest. 9.50 Gold Key
Mornington	9.80	8.25	9.80 £2K, 10.00 £2K+, 10.10 £10K+, 10.25 £20K+
National Counties	9.30	8.50	9.80 60 days' notice. No penalty £10,000+. £1 £1,000 9.50 APEX 3rd las. (+2.50 gtd. 3 yrs.) 90-day notice/penalty 9.50 Special share 90-day notice/penalty unless £10,000+ 9.50 Money man. £10,000+ No notice, no penalty 9.50 Capital bonds, 3 years, 90 days' notice/penalty Bonus-90 £10,000-£19,999, 90 days' notice/penalty Bonus-90 £200-£999, 90 days' notice/penalty Double bonus, minimum £500, no notice/penalty
National and Provincial	7.00	8.00	9.80 and 9.55 High interest. 9.50 Gold Key
Nationwide	7.00	8.00	9.80 and 9.55 High interest. 9.50 Gold Key
Newcastle	7.00	8.25	9.80 and 9.55 High interest. 9.50 Gold Key
Northern Rock	7.00	8.25	9.80 and 9.55 High interest. 9.50 Gold Key
Norwich	8.25	8.50	9.80 and 9.55 High interest. 9.50 Gold Key
Peckham	8.90	—	9.80 and 9.55 High interest. 9.50 Gold Key
Peterborough	7.00	8.30	9.80 and 9.55 High interest. 9.50 Gold Key
Portsmouth	7.00	9.25	9.80 and 9.55 High interest. 9.50 Gold Key
Portsmouth	8.40	9.00	9.80 and 9.55 High interest. 9.50 Gold Key
Property Owners	8.75	10.25	9.80 and 9.55 High interest. 9.50 Gold Key
Scarborough	7.00	8.25	9.80 and 9.55 High interest. 9.50 Gold Key
Skipiton	7.00	8.25	9.80 and 9.55 High interest. 9.50 Gold Key
Stroud	7.00	8.25	9.80 and 9.55 High interest. 9.50 Gold Key
Sussex County	7.00	8.50	9.80 and 9.55 High interest. 9.50 Gold Key
Thrift	9.20	—	10.25 2 years. 10.00 90 days. 9.50 28 days' notice 9.50 90-day, 9.25 monthly income. 8.75 20-day, 8.50 7-day 10.20 3-year term. Other accounts available 9.75 2-year term £10,000+. 9.50 £500-£9,999 wtd. available 8.80-5.75 Moneysaver Cheque/VISA, interest varies with bal. 9.75 Super 60 yearly interest £500, wtd. avail. monthly inc. — No notice—no penalty—minimum £1,000 9.75 Prime—no notice, no penalty, minimum £500 9.75 Monthly income shares, 25 days' notice 10.75 Capital, 30 days' notice/penalty 8.80 Dia. key, £10,000+ wtd. no pen. —£10,000 28 d. nt/pen. 9.80 Flat. key £10,000+ wtd. no pen. —£10,000 28 d. nt/pen.
Town and Country	7.00	8.00	9.80 and 9.55 High interest. 9.50 Gold Key
Wessex	8.10	—	9.80 and 9.55 High interest. 9.50 Gold Key
Woolwich	8.25	—	9.80 and 9.55 High interest. 9.50 Gold Key
Yorkshire	7.00	8.00	9.80 and 9.55 High interest. 9.50 Gold Key

All these per cent rates are after basic rate tax liability has been settled on behalf of the investor

UK COMPANY NEWS

J. Crowther's £10m carpets move

BY MARTIN DICKSON

John Crowther, the Huddersfield-based textile group, yesterday announced a deal to buy two separate carpet manufacturing companies, Carpets International UK and Weaver-Craft Industries, for £9.75m in a complex and unusual three-way deal that would mean a restructuring of a substantial part of the group's carpet business.

Under the deal, only half of Weaver-Craft, a private company owned by Mr R. Taylor and a leading carpet industry yarn processor, announced that it was considering making a counter-offer for Carpets International UK at a price in excess of that offered by Crowther. But financing of a PMA offer had not yet been completed.

The deal announced yesterday would radically change both Crowther—which is funding the acquisition by a rights issue and share placement—and Carpets International, the quoted parent company of Carpets International UK.

Crowther, a small textiles company with a good growth record over the past few years, would see its sales increase fourfold and its net assets threefold. It would enter the carpet industry and do so as a significant force, accounting for some 10 per cent of the UK market.

For Carpets International, which in 1984 returned to profit after four years of losses, the deal means abandoning manufacturing in the UK, where it



Mr Trevor Barker, the chairman of John Crowther

has long been one of the biggest names. It will become largely an investment holding company, and intends to change its name to Delvon Investments.

Carpets International UK employs 2,500 people at five factories. It makes tufted carpets under the names of Heritage and Wiltons under the Gillette and Crossley names. It produced its pre-tax losses of £2.2m in 1984 and £4.0m in 1985, on a turnover of £80m, and

almost broke even in the first six months of 1985. It has net assets of about £20m but Crowther would acquire the company for approximately £7.09m, through the payment of about £4.34m cash and the issue of 1.25m Crowther shares at 60p. It will also take on bank borrowings of about £8m.

Bradford-based Weaver-Craft, a private company controlled by Mr Michael Abraham, makes both woven and tufted carpets, employs some 700 people and has net assets of about £5.4m. It would be acquired for £2.7m, through the issue of 4.5m Crowther shares at 60p.

The vendors have undertaken to retain their shares until at least the publication of the interim statement of the enlarged group for the six months ended June 30, 1985. Mr Abraham will join Crowther as deputy chairman.

The deal has the support of Interface Overseas, a U.S. carpet titles company, which owns 41.3 per cent of Carpets International's voting rights.

Carpets International in turn owns about 26 per cent of Interface, worth about £18.5m at current market values, and this will constitute one of its major remaining assets, together with shares in Asian and New Zealand carpet manufacturers.

In a letter to shareholders, Carpets International said yesterday that disposal of the UK arm was the culmination of efforts

to salvage for shareholders the potential that the company represented even in its darkest days. The proceeds might eventually be used to acquire a furnishing business.

The Crowther group yesterday reported pre-tax profits in the first six months of the year up to £171,000 from £4,000 last time, on turnover of £11.1m (£3.68m). Carpets International yesterday reported a pre-tax profit of the first six months of £570,000 (£500,000) on turnover of £30.36m. Basic earnings per share are 2.5p (0.8p).

Crowther will meet the cash payment for Carpets International UK and raise an additional £3m of working capital through a five-for-four rights issue of 12.5m new shares and a placing of 5m new shares at institutional and other investors, both at 60p a share.

The rights issue is underwritten by Hambros Bank, which yesterday said it had completed both its sub-underwriting and the share placing.

Mr Trevor Barker, who as chairman of Crowther since 1981 has been largely responsible for turning it around, said yesterday that there was great scope for reorganisation in the carpet industry, as had been the case in the woolen textile industry five years ago.

The targeted group will have about 19 per cent of sales of woven carpets in the UK and about 5 per cent of tufted sales.

Delta at top end of City forecasts

DELTA GROUP has pushed interim taxable profits up by a third from £19.57m to £26.59m, near the top end of fairly wide ranging City forecasts.

The advance was spread over all of Delta's four divisions encompassing electrical equipment, fluid controls, industrial services and metals.

Electrical equipment, which accounts for the lion's share of profits, netted up a £1.1m increase to £14.14m on turnover ahead from £13.25m to £14.32m.

The overall group result, achieved on turnover up from £292.79m to £304.45m during the first six months of



1985, marks the sixth successive half-yearly increase.

The interim dividend is being raised from 1.32p to 2.35p and shareholders are told that full year profits should show a useful increase over 1984's £45.69m, which was accompanied by a final dividend of 2.68p.

First half earnings per share (on a net basis) give a cover in excess of five times a rise of 4.1p to 12.3p. Tax was marginally higher at £7.75m (£7.6m) and minorities absorbed £1.18m (£0.58m).

Industrial services, Delta's second largest profit earner, contributed a higher £8.31m, against £7.1m, to the first half result. Metals added £5.04m (£4.02m) and fluid controls slipped in £1.56m (£0.24m).

Group taxable profits benefited from a near 31 per cent cut in interest charges to £3.06m, although associate contributions fell from £3.24m to £2.59m and unfavourable currency movements cost £1.8m.

Geographically, Delta still leans in bulk of profits in the UK, which contributed £19.38m (£16.58m). Apart from Australia and South East Asia, all main geographical regions returned improved results.

See Lex

British Mohair downturn to £1.7m midway

Although sales in the first half of 1985 were similar to the 1984 period, pre-tax profits at British Mohair Holdings fell from £2.25m to £1.66m.

Mr C. M. Fenton, the chairman, says the board expects the total profit for 1985 to be lower than the record result achieved in 1984. But, he says, production activity is at a high level and the future order position is encouraging.

Bradford-based comb, dyer and spinner are holding the interim dividend at 1.25p. In 1984 with profits of £4.21m (£3.53m) dividend payments totalled 6p. Stated net earnings for this half are down from 10.24p to 7.49p.

Total turnover amounted to £19.98m (£19.09m), with home sales accounting for an increase to £14.33m (£13.37m), and overseas slightly down at £5.65m (£5.72m).

Mr Fenton says that mohair and alpaca prices fell steadily during the half year, and this, coupled with wide fluctuations in international currency rates, affected profit margins and trading conditions.

The group's non-textile companies showed an improvement in both turnover and profits, the chairman adds, including a useful contribution from Jewel Razor.

See Lex

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corresponding	Total	Total
Breedon and Cloud	1.25	Oct 25	2.4	—	8.9
Concillie Caterer	1.25	Oct 31	1.25	—	8.9
Concillie Caterer	1.25	Nov 7	—	—	3.5
John Crowther	1.5	Jan 2	—	—	1.5
Delta Group	2.35	Dec 2	1.82	—	4.5
Dom Holdings	3.23	Nov 14	3.23	—	4.95
Electronics	0.25	Oct 31	1.5	—	0.25
Lyon & Lyon	1.5	Oct 31	1.5	—	1.4
Morgan Crucible	3.9	Jan 2	3.7	—	8
George Oliver	1.8	Oct 29	1.6	—	8
Polystyrene Elect	3.77	—	2	—	3.77
Powerline	100.00	Oct 31	0.9	—	1.4
Sharna Ware	0.9	Oct 31	0.9	—	2.45
Ward White	1.85	Dec 14	1.69	—	5.89
W. W. Wood Group	1	Nov 1	1	—	1
Dividends shown in Pence per share except where otherwise stated.					
* Equivalent after allowance for scrip issues.					
† On capital.					
‡ Increased by rights and/or acquisition issues.					
§ Special payment.					

Lord John chain sold to J. Hepworth in £11m deal

BY RICHARD TOMKINS

J. Hepworth & Son, owner of the Next chain of fashion stores, is to buy the loss-making chain of Lord John and Werf clothing stores from the troubled Raybeck retailing and manufacturing group for about £11.5m.

The assets to be acquired include 104 retail outlets trading under the Lord John, Werf, Lady at Lord John and Werf names, and a warehouse in Acton, London. Raybeck will receive cash for the properties, fixtures and fittings, stocks, and debtors less creditors.

The acquisition will be financed through a vendor placing of 4,566m ordinary shares in Hepworth, representing 5.3 per cent of the enlarged share capital. This will raise £10m; the balance will be satisfied in cash.

Raybeck's sale of chains had been long expected. In the year

to January the group made a pre-tax loss of £1.7m largely because Lord John and Werf incurred losses of £2.6m before interest payable and tax. Mr Ben Raven, group chairman, blamed poor merchandising and stock control.

In May Raybeck sold its Lord John property in Regent Street, London, to Laura Ashley, the clothing and household goods company, for £2.35m.

The disposal of the remainder of the Lord John and Werf chains will leave Raybeck with its manufacturing division and the Berkertex chain of women's and bridal wear retailers, which are profitable. It will also allow the group to eliminate £4m of borrowings.

Mr Raven said: "It will transform us into a profitable, cash-rich company."

Hepworth's principal profit base is the rapidly expanding chain of Next women's fashion stores and Next for Men stores. Last month the group launched Next Interiors, a chain of furnishing stores.

Mr John Roberts, group corporate director, said Hepworth badly needed more retail space and had moved quickly when it learned that Lord John and Werf were available two weeks ago.

The Lord John and Werf units were likely to be integrated into the Next chain over a period of time but he did not rule out the possibility that some might remain under their existing names if they could trade at a profit.

Hepworth's shares closed 8p up at 228p yesterday and Raybeck's 15p up at 80p.

See Lex

Morgan Crucible rises 19%

FOLLOWING a strong opening to the year, Morgan Crucible Company saw interim profits increase by 19 per cent on turnover up by 12 per cent.

However, Sir James Spooner, chairman, says it is difficult to forecast whether the full year will improve on last year's record because of uncertainties in world markets and exchange rate variations.

In the six months to July 1, 1985, turnover increased from £91.2m to £102.5m with pre-tax profits of £5.7m against £7.3m. From earnings per share of 8.9p (7.9p) the interim payment is being raised from 3.7p to 3.9p.

Sir James says that the year began with sales buoyant in most of the company's markets. By the end of the period however demand had slowed in the U.S. and the strengthening of the pound reduced overseas

profits on transaction by more than £1.25m. Almost all of the overseas companies had performed well in their own currencies.

He adds that the acquisitions made in 1984 contributed well to profits except for the mechanical carbon business in the U.S. During the period the interests of Kaiser and Harbison-Walker in Australia were bought in January. In July, Bonar Stanger, also in Australia, was bought and a joint venture to make vacuum-formed ceramic fibre products was set up in West Germany. Further acquisitions are being sought.

A breakdown of the turnover shows advances by all divisions except for electronics where turnover slipped to £4.5m (£5.4m) and there was no operating profit against £300,000 last time. Turnover for the other

divisions was carbon £38.4m (£32.4m), ceramics £18.2m (£13.2m), thermic £30.5m (£24.7m), and lubrication £16.9m (£15.4m). Operating profit was split between carbon £4.5m (£4.5m), ceramics £1.8m (£1.5m), thermic £2.2m (£1.4m), and lubrication £1.9m (£1.8m).

The pre-tax figure was struck after unchanged net finance charges of £2m. The tax charge, less capital allowances, was £2.9m (£2.5m) and with minorities and preference dividends taking £300,000 (£400,000), attributable earnings came out at £5.5m against £4.4m. Extraordinary income took an unchanged £100,000.

Sir James says rationalisation to improve profitability will continue and with most of the businesses performing well 1985 should be another satisfactory year.

See Lex

GEC share buying approved

BY FRANK KANE

MR JAMES PRIOR had a rough ride yesterday in his first appearance at the annual meeting as chairman of the General Electric Company.

On trading in the present year the meeting, held in the London premises of the Institution of Electrical Engineers, was told that pre-tax profits were down in the first four months, though sales were up. Earnings per share, partly boosted by the company's policy of buying its own shares for cancellation, would show a rise for the 1985-86 year.

He said that the trading environment remained generally difficult, but the early results were in line with the company's internal budget, which foresaw an improvement in the second half.

Mr Prior faced some hostile questioning from shareholders, mainly concerning the company's remuneration to the company's auditors Touche Ross. A shareholders' amendment to the motion approving the payment, to reduce it by £0.4m, was defeated on a show of hands.

With an apparently large majority against the amendment, Mr Prior at first considered a count down vote. This prompted one shout of "Scargill" from a shareholder.

The resulting count showed 27 for and 89 against the amendment. The chairman said he criticised the agenda, and some opposed the company's share buying policy. A resolution to permit GEC to continue doing so for at least the next 18 months, however, was overwhelmingly carried.

In the year to July 31, 1985, GEC bought some 2.87 per cent of its total equity at a cost of £156.5m, reducing its cash mountain to £1.41bn. Profits for the same period were £725m, well short of City expectations.

The group's shares slipped 6p yesterday, to close at 164p.

See Lex

Infra Red joins USM with a £2.4m placing

BY LUCY KELLAWAY

Infra Red Associates, a high-technology company based in New Jersey, U.S., is joining the USM. Phillips & Drew is placing 2.6m shares at 94p to raise £2.4m, of which about £1m will be new money.

The shares being placed represent 40 per cent of the total equity, which is valued at £6.2m. The company makes and distributes infra-red detectors, mainly for the U.S. commercial market. Most of its products have medical or industrial applications. Others are used in military prototypes, including heat-seeking and laser-guided missiles. This accounts for only 4 per cent of sales but the company expects this to increase in the future.

While there are large U.S. companies which manufacture infra-red detectors, these companies tend to concentrate on large military contracts. In its more specialised area, Infra Red claims to have only two direct competitors.

In the past five years, turnover has more than doubled to £2.1m (£1.58m) for the year to February, 1985, while profits have increased fractionally faster to £415,000.

For the year, the company is forecasting profits of £750,000, putting the shares on a price-earnings ratio of 16.5 (assuming a tax rate of 44 per cent). Assuming a dividend of £0.0215, the yield is 1.76 per cent.

Dealings in the shares start on Monday, September 23.

GROWTH in parts, service and leasing businesses has helped to lift turnover at Lyon & Lyon, Ford main dealer, vehicle and farm repairer, in the first half of 1985.

Total sales for the West Yorkshire-based group moved ahead by £906,000 to £25.5m, and at pre-tax level profits increased by 64 per cent to £283,000 (£160,000).

The directors say that trade continues to be adversely affected by high interest rates and deep discounting of new vehicle prices. In addition the group's Sharpness shipyard is operating at a loss in the wake of a serious decline in the traffic level at Sharpness Docks.

See Lex

Lyon & Lyon up 64%

Despite these difficulties, there is sound growth in the parts and services departments of the Ford dealership, considerable expansion of Lyon Leasing & Finance, its vehicle contract hire fleet, and a strong return to profitability at the Nottingham shipyard, the directors state.

They are holding the interim dividend at 1.5p, which is covered three times by stated earnings per share of 4.74p (3.09p).

From an operating profit ahead from £176,000 to £371,000, the year's result was a 64 per cent increase after investment income added £32,000 (£31,000), and interest charges, which rose from £47,000 to £140,000.

Tax was £108,000 (£58,000).

See Lex

Distillers erecting takeover defences

Distillers, which faces a possible unfriendly takeover bid from the Argyle Group, yesterday announced that it has appointed Kleinwort Benson to act on its behalf.

Kleinwort will be working alongside existing merchant bank adviser, in the preparation of a defence.

In response to mounting bid rumours, Argyle said last week that it regarded Distillers as one of a number of companies in which it was interested, but that it did not intend to make an offer "at the present time". Earlier this week the Takeover Panel interpreted Argyle's remarks to mean that no bid will be made for three to four months unless a third bidder emerges.

Dom profits 20% ahead at £1.26m

Dom Holdings, the Hertfordshire-based retailer and manufacturer of fixing products, reported pre-tax profits up by 20 per cent on little-changed turnover in the year to the end of March 1985.

From earnings per 10p share of 0.85p, the company's directors are proposing an unchanged total payment for the year of 4.95p, with a maintained final of 3.25p.

Taxable profits rose from £1.4m to £1.26m on turnover of £17.58m (£17.35m).

The tax charge was £576,000, against £452,000 for the previous year when there was a release of deferred tax provision of £226,000, leaving net profit at £579,000, down from £816,000. With dividends taking £1.1m, the retained profit for the year came out at £308,000, compared with £443,000 for 1983-84.

Ward White surges to £7.6m

Ward White Group, which yesterday launched a bid for Maynards, the toy retailer and confectionery manufacturer, also announced more than doubled taxable profits of £7.64m for the six months to July 31, 1985.

The result, up from £3.18m, was achieved on turnover ahead nearly £50m to £147.07m. Ward White manufactures and retails footwear.

In addition to the profits increase, the accounts also show that Ward's largest bid for Foster Brothers Clothing cost £1.35m and made up the bulk of a £1.58m extraordinary charge.

The charge, together with a £1.4m increase in the pre-tax rise claimed profits of the pre-tax rise and left the attributable balance 80 per cent ahead at £3.82m.

Earnings per share, pre-extracurriculars, rose from 3.99p to 7.48p and the interim dividend to 7.48p raised by 15 per cent to 1.95p.

Mr Philip Birch, the chairman and managing director, said trading profits in the UK made

good advances, with a contribution from Halfords which was bought from Burmah Oil and is included in half year results for the first time.

Focus: The footwear retailing chain, increased volume despite the poor summer weather although it incurred increased mark-downs, the effect of which was largely offset by better gross margins.

The safety products operating group experienced buoyant demand, he said, and substantially increased its contribution. The UK footwear side, however, encountered some problems in increasing production to meet high level demand.

There is not much Ward White can do about the weather, or the weakness of the dollar against sterling but even allowing for acts of God and the effects of town sites, though Ward may find the competition stiffer than it thinks with the arrival of "Toys Are Us" this autumn.

but the group has pumped in £31m of property profits and if those are stripped free, a profits rise of 37 per cent to £4.37m is a touch below expectations.

Though the weather was against the shoe shops it is also true that the revamp of Focus Shoes was not quite the success that was anticipated. For the full year it now looks as if £18m is the target for profits excluding property.

Through the weather was against the shoe shops it is also true that the revamp of Focus Shoes was not quite the success that was anticipated. For the full year it now looks as if £18m is the target for profits excluding property.

Only good news if you win and there are few marks for failure just as the Elm net bill for chasing Foster Brothers goes to show. Maynards is about adding Zodiac Toys to the Halfords range, especially in the new edge of town sites, though Ward may find the competition stiffer than it thinks with the arrival of "Toys Are Us" this autumn.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS										Highs and Lows Index									
Fri Sept 13 1985										1985									
Figures in parenthesis show number of stocks per section										Since Completion									
	Index No.	Day's Change %	Est. Current Yield % (Yield %)	Gross Div. Yield % (ACT %)	Est. P/E Ratio (Ratio)	Index No.	Index No.	Index No.	Index No.	High	Low	High	Low						
						Thur Sept 12	Wed Sept 11	Tues Sept 10	Year ago (Approx.)										
1	CAPITAL GOODS (206)	521.07	-0.8	10.99	4.32	11.43	11.17	525.10	518.99	518.99	518.99	577.15	220	483.38	257	577.15	221.05	58.71	13/2/77
2	Building Materials (22)	551.03	+1.0	11.92	4.82	10.42	13.94	545.81	542.71	542.71	542.71	552.86	2	471.11	26/2	552.86	279.85	74.28	12/2/77
3	Contracting, Construction (24)	625.18	+0.4	12.28	5.04	10.34	16.82	621.63	623.71	623.71	623.71	636.39	3	624.77	8/3	636.39	279.85	74.28	12/2/77
4	Electricals (14)	1457.71	-0.1	10.60	5.07	12.07	35.52	1458.11	1444.87	1444.87	1444.87	1701.24	100	1099.33	26/3	1444.87	259.45	84.71	25/6/77
5	Electronics (38)	1315.14	-2.3	11.56	3.43	11.41	29.85	1346.71	1321.36	1321.36	1321.36	1577.60	97	1268.78	5/7	1577.60	317.05	126.87	3/7/78
6	Mechanical Engineering (62)	258.14	-0.4	11.13	4.74	10.91	6.48	259.77	258.97	258.97	258.97	316.14	135	263.85	257	316.14	135.05	45.3	5/1/77
7	Metals and Metal Forming (77)	206.79	-0.4	12.68	7.70	9.80	4.33	207.61	207.63	205.46	129.30	211.64	308	165.08	14/1	211.64	308.05	49.65	6/1/77
8	Metals (16)	174.23	-0.6	12.69	4.86	9.74	5.35	175.36	173.43	173.48	128.75	175.89	153	145.57	3	175.89	153.05	19.91	6/1/77
9	Other Industrial Materials (18)	953.51	-0.9	7.83	3.77	15.28	13.81	962.90	941.58	922.79	896.78	1020.31	6	828.48	3	1020.31	676.85	27.25	15/1/77
10	CONSUMER GOODS (276)	1052.16	-0.1	10.62	4.32	12.75	12.56	1059.87	1047.62	1047.62	1047.62	1070.40	6	604.96	3	1070.40	676.85	27.25	15/1/77
11	Food and Disstillers (23)	713.64	+0.2	9.68	4.05	13.04	13.83	717.13	715.72	715.72	694.71	733.65	6	628.30	3	733.65	677.55	49.47	13/2/77
12	Food Manufacturing (22)	500.06	-1.7	11.87	4.09	10.86	13.12	505.05	499.77	505.25	499.27	513.86	12/2	471.62	257	513.86	123.05	59.67	11/2/77
13	Food Retailing (14)	1631.98	-	-6.03	25.84	22.44	18.66	1616.70	1610.67	1624.47	1259.24	1662.78	5	1400.36	1/3	1662.78	516.85	54.25	12/2/77
14	Health and Household Products (7)	1074.03	-0.6	6.40	2.78	13.84	13.51	1080.85	1080.57	1086.41	907.10	1124.51	5	980.65	11	1124.51	516.85	175.38	29/5/78
15	Leisure (22)	684.46	-	8.26	4.84	15.83	11.26	688.86	683.42	694.34	576.25	713.49	22/1	599.69	12/7	713.49	221.40	54.83	9/1/77
16	Leisure Products, Publishing (12)	1897.16	-0.1	7.66	4.33	15.75	37.91	1893.88	1887.62	1893.88	1893.88	1908.13	3	155.08	6/1	1908.13	167.15	12.50	6/1/77
17	Magazines, Paper (14)	365.28	-	11.71	4.11	12.30	6.36	365.43	364.84	370.25	247.02	371.13	9	286.36	1	371.13	979.85	43.46	6/1/77
18	Stores (42)	698.14	-1.1	9.23	3.04	19.82	8.91	685.97	678.43	681.44	642.46	700.14	6	524.97	1/2	700.14	679.85	52.63	6/1/77
19	Textiles (16)	342.22	-0.6	12.76	4.83	8.99	8.08	344.46	342.51	346.79	274.50	348.58	9	293.07	1	348.58	979.85	62.66	12/2/77
20	Tobacco (3)	759.38	-0.3	17.75	5.92	4.62	18.71	741.38	749.06	753.16	724.63	1010.69	8/2	749.36	11/9	1010.69	872.85	94.34	13/6/77
21	OTHER GROUPS (318)	694.70	-0.5	17.17	4.49	14.32	14.49	691.91	692.00	694.09	673.37	722.75	15	605.99	3/1	722.75	155.08	58.63	6/1/77
22	Chemicals (19)	142.16	-0.2	14.62	4.37	9.12	10.58	142.22	142.27	143.37	142.22	143.24	22/2	157.14	1	143.24	171.05	71.20	1/1/77
23	Office Equipment (4)	200.29	+0.6	7.98	4.35	16.91	3.99	199.11	199.11	202.88	149.87	207.34	23/8	154.76	3/1	206.06	171.72	65.34	2/1/77
24	Shipping and Transport (12)	1220.37	+0.4	7.65	4.41	16.19	26.88	1225.55	1189.97	1258.91	876.36	1232.64	4	958.08	3	1232.64	979.85	90.88	29/6/77
25	Miscellaneous (64)	948.50	-0.2	7.61	3.82	14.61	14.48	950.60	947.11	951.14	661.26	897.77	3	787.88	26/7	897.77	316.85	60.39	6/1/77
26	Telephone Networks (2)	904.75	-0.5	8.21	3.59	12.63	24.38	909.16	897.73	893.51	801	935.70	30	701.92	3	935.70	308.85	51.92	30/1/78
27	INDUSTRIAL GROUP (483)	654.80	-0.3	9.58	4.01	13.20	12.63	656.73	651.39	656.58	592.05	665.45	4	599.75	3/1	665.45	516.85	49.01	13/2/77
28	Oil (17)	1399.95	-0.1	16.21	7.34	7.58	51.89	1341.21	1166.02	1174.44	1121.34	1299.75	132	1042.21	3/1	1299.75	152.85	87.23	25/77
29	500 SHARE INDEX (500)	497.32	-0.3	10.43	4.47	12.04	15.96	699.20	614.86	700.12	570.65	710.76	29	636.98	3/1	710.76	279.85	63.49	13/2/77
30	FINANCIAL GROUP (135)	746.12	-0.1	10.67	4.90	14.32	19.90	744.37	742.44	676.51	584.82	690.51	21/8	630.10	4/1	690.51	218.85	55.88	13/2/77
31	Insurance (11)	648.61	+0.7	18.79	6.82	7.60	19.90	648.61	648.61	648.61	648.61	648.61	15/8	648.61	3/1	648.61	648.61	648.61	648.61
32	Insurance (Life) (9)	776.10	-1.2	-	-	-	-	774.73	773.73	773.88	617.10	770.18	11/6	595.50	4/1	770.18	710.85	44.88	2/1/77
33	Insurance (Compensated) (7)	353.73	-0.1	-	-	-	-	353.73	352.40	356.45	274.18	384.33	15/8	300.26	25/2	384.33	158.85	43.95	13/2/77
34	Insurance (Brokers) (7)	1102.61	-2.0	7.57	3.89	17.68	12.02	1114.58	1124.28	1119.98	914.34	1248.79	13/1	1093.16	25/2	1248.79	155.85	65.86	15/2/77
35	Merchant Banks (11)	233.83	+0.8	-	4.82	-	235.05	233.56	233.98	232.73	216.49	246.71	16/1	220.65	3/1	270.57	185.72	31.21	7/1/77
36	Other Financial (25)	648.61	+0.3	5.78	3.74	23.24	23.24	648.61	648.61	648.61	648.61	648.61	15/8	648.61	3/1	648.61	648.61	648.61	648.61
37	Other Financial (25)	277.13	+0.7	10.29	11.99	9.94	9.62	275.73	274.01	277.06	255.39	296.92	1/2	261.32	26/7	296.92	185.72	33.29	7/1/77
38	Investment Trusts (106)	595.98	-0.1	-	3.53	-	11.27	594.37	592.96	595.49	525.82	635.62	7/3	527.77	3/1	635.62	714.85	71.12	13/2/77
39	Mining (5)	262.10	-	12.39	5.84	9.37	5	262.10	260.00	258.76	287.53	311.08	15/4	240.20	5/8	337.57	210.84	66.31	30/1/77
40	Overseas Traders (14)	597.35	+0.1	12.54	6.67	9.56	23.88	596.78	593.69	597.07	581.21	687.35	25	595.08	19/8	687.35	221.85	97.37	6/1/77
41	ALL-SHARE INDEX (738)	634.31	-0.2	-	4.56	-	14.88	636.73	631.49	636.85	523.77	646.82	29	581.88	3/1	646.82	279.85	61.92	13/2/77
42	Index No.	Day's Change	Day's High	Day's Low	Sept 12	Sept 11	Sept 10	Sept 9	Sept 8	Sept 6	Year ago								

INTERNATIONAL COMPANIES and FINANCE

Canada expects De Havilland sale soon

By Bernard Simon in Toronto

The Canadian Government hopes to announce the sale within a month or two of the state-owned aircraft manufacturer De Havilland, according to a senior official of Canada Development Investment Corporation, De Havilland's holding company.

He confirmed that the West German industrialist Mr. Justus Dornier, a former member of the shareholder group controlling the Dornier company, was among the parties interested in buying De Havilland, but said that negotiations with other potential buyers were "further advanced."

Mr. Dornier, who recently sold his shares in the family business after a dispute with other shareholders, is also negotiating with CDIC for the purchase of Canadaair, the Montreal-based manufacturer of executive aircraft and water bombers.

He said that, if this bid is successful, he will bring Canadaair and De Havilland under the umbrella of a single holding company in which Canadians would be invited to invest.

The CDIC official said that talks on the sale of De Havilland were "getting along quite well with two or three parties." The Canadian negotiations were proceeding more slowly.

Known potential bidders for De Havilland and Canadaair include Boeing of the U.S. and MBB, the West German aerospace group. It is understood that Canadian investors are also involved in the discussions with CDIC.

Consortium takes on Consafe rigs

BY DAVID BROWN IN STOCKHOLM

THE COURTS appointed receiver of Consafe, the Swedish offshore services group which was declared bankrupt earlier this week, has welcomed the formation of a company aimed at saving the group's most viable operations.

The company—Safe Offshore—will manage Consafe's fleet of seven semi-submersible offshore accommodation platforms which account for around 80 per cent of the total world fleet.

Mr Robert Almström, the company's new managing direc-

tor, and previously chief of the Consafe semi-submersible division, is presently in the UK in an attempt to prevent cancellation of the oil companies of existing contracts.

"We aim to preserve both the strong market position and know how," said Safe Offshore yesterday.

The ownership of Safe Offshore consists of companies which previously had part holdings in the Consafe platform.

These include the Swedish

shipping companies Transatlantic and Wallenius, the state-owned Swedyard shipbuilding group, and the Volvo Energi, subsidiary of the motor and industrial group.

The former three participants will each have a shareholding of 26.7 per cent, while Volvo will take a 20 per cent stake.

Consafe was declared bankrupt on Tuesday with long term debt of some \$1.3bn (\$349m) following the collapse of the restructuring negotiations with Swedyard, its biggest creditor.

It had been operating for some time with a great deal of spare capacity and had exhausted liquidity. It had borrowed heavily in anticipation of a continued offshore oil exploration and drilling boom which failed to materialise.

The receiver hopes to dispose of a number of vessels, including two multi-purpose diving platforms and two drilling rigs. Safe Offshore will also operate the diving platforms until a buyer can be found.

Helsinki SE appoints chief executive

By Olli Virtanen in Helsinki

THE HELSINKI Stock Exchange has appointed its first ever managing director as part of a programme of measures aimed at widening the scope and appeal of the Finnish capital market.

He is Mr Matti Mäenpää, currently deputy chief general manager of Kansalliso-Säästöpankki, Finland's leading bank. The present board director, Mr Tapani Mäntymäki, will retain his title and report to Mr Mäenpää.

The stock exchange says the appointment of a full-time executive follows the growing volume and wider scope of Finland's stock market. A market in short-term bonds is expected to begin shortly. Government officials have already indicated willingness to have "treasury bills" quoted.

The OAC market started last January, although it still includes only four companies. Experts estimate that the market, if properly developed, could include 70 listings. Also some co-operative societies have discussed the possibility to raise capital at the stock exchange. Stock exchange volume has risen rapidly this year.

BP France interim loss mounts

BY PAUL BETTS IN PARIS

SOCIÉTÉ Française des Pétroles BP, the French affiliate of British Petroleum, reported sharply higher first-half net losses of FF417m (\$46m) compared with a loss of FF219m in the first half of last year and a loss of FF286m for the whole of 1984.

BP France is the latest of the large French-based refiners to report continuing heavy losses due both to the general situation in the international oil markets and to specific difficulties for refiners and petrol retailers in France. Margins have continued to be eroded by the intense competition on the domestic petrol market while government price controls on home heating fuel penalised

French companies during the particularly cold spell during the first quarter.

Sales rose by 7 per cent in the first half to FF13bn compared with the year-before period. The company is now reducing its workforce by 600 people, largely through early retirement. The French BP affiliate expects its operating results to improve in the current second half. Operating losses totalled FF465m in the first half compared with an operating loss of FF188m in the first half of 1984.

Esso Belgium, a subsidiary of Exxon of the U.S., is restructuring its capital base after completing a heavy investment programme in the mid-1970s

which involved the modernisation of its refinery in Antwerp, reports AP-DI.

The company plans to reduce its capital to Bfr 3bn (\$50m) from Bfr 7.5bn by transferring 2,784,994 preferential shares to the parent company. The operation reverses a share transfer that took place during the last decade when Esso lifted its capital, with the help of the parent company, from Bfr 1.6bn to Bfr 7.5bn.

Since the mid-1970s, Esso Belgium has spent more than Bfr 12bn on expanding and upgrading its Antwerp refinery, upgrading its Antwerp refinery. Among other things, the installation now produces more light petroleum products.

Philips unit employees plan buy-out

EMPLOYEES at NKF Group, a subsidiary of Philips, the Dutch electrical group, are prepared to pay up to Fl 250m (\$75.6m) to buy the company, writes AP-DI.

Philips said it was assessing the employee group's informal proposal, but declined to comment on its response.

The worker group wants to save NKF, a Dutch cables and electrical equipment maker, from being sold by Philips which is already negotiating the sale of Draka Kabel, one of NKF's major operating units. Draka accounts for about

33 per cent of NKF's turnover of around Fl 800m. "We do not consider NKF as a strategic part of Philips," the group said. Philips is not desperate to sell NKF but "if the opportunity pops up, we'll talk," the electrical group said.

Bobst aims to wrap up packaging machinery market

BY WILLIAM DUFFLORCE IN GENEVA

BOBST, a small multinational representative of traditional Swiss mechanical engineering, looks to have fresh wind in its sails. It has just raised new capital, become listed on the Zurich, Geneva and Basle stock exchanges and acquired management control of S.A. Martin, a French packaging machine maker.

Based at Prilly, just outside Lausanne, Bobst is the world's leading manufacturer of die-cutting machines for converting paper and cardboard into packaging. It makes 85 per cent of its sales outside Switzerland and owns production plants in the U.S. and Japan.

The boom in consumer demand in the U.S., which prompted American companies to invest in replacement machinery, was an important factor in the 27 per cent growth in Bobst's

sales last year. Smaller increases were recorded in West Germany, Britain and France. The European Community countries provided just under 35 per cent of total sales with over 28 per cent coming from the U.S. and more than 13 per cent from other European markets.

The 1984 annual report, giving consolidated results for the first time, shows turnover of Sfr 523m (\$223m). Net profit climbed by 26 per cent to Sfr 15m—all welcome figures after three years of depressed sales and relatively modest earnings.

Dividends were raised for the first time in five years. In June this year Bobst increased its nominal capital to Sfr 40m by a one-for-eight rights issue which raised some Sfr 40m in fresh capital.

The rights proceeds will

cover the Sfr 5.4m Bobst paid for its 44-per-cent stake in S.A. Martin, provide the resources to develop the French company's operations and possibly finance more acquisitions.

The Swiss concern wanted to buy Martin outright after the break-up of the Crouzet-Loire group of which it formed part, but ran into resistance from the French authorities, having to settle finally for management control and three junior partners.

Martin makes machines for converting corrugated board and fits in with Bobst's own more expensive products. In particular, it complements Bobst's 30-metre long, 130-tonne Flexo-Folder-Gluer machine, of which two prototypes have been running successfully, one in Switzerland, the other in the U.S.

This giant machine, it is hoped, will be Bobst's battering ram to break open the corrugated packaging machinery business. Together with Martin the Swiss group should command some 27 per cent of the world market for this type of machinery with Mitsubishi of Japan right on its heels.

The latest moves reflect Bobst's renewed offensive spirit after the failure of its attempt during the 1970s to diversify into photo-composing equipment, which appeared at the time to offer some synergistic possibilities through printing with its packaging machinery business. As other Swiss companies have done, Bobst wrote off its losses from that venture without traces in the balance sheet by activating hidden reserves.

The present expansion into corrugated board machinery is a much more conventional diversification into products in which the Swiss company already has plenty of experience, Mr Bruno de Kalbermaten, its managing director, explains. Bobst's long-running speciality has been the production of machines for cutting, embossing and folding (smooth) cardboard boxes. Over the past four decades it has progressively improved its machines, raising their speeds and adding functions such as automatic waste-stripping and removal of blanks. The latest incorporate

microprocessor controls which monitor the stresses of the cardboard sheets raising through the presses.

In this field Bobst is the acknowledged technological leader and dominates the market with shares of between 80 and 90 per cent in both Europe and the U.S. and even 20 per cent in Japan. A West German competitor recently closed down and it is the Japanese who now provide the closest competition.

The Swiss machines are more expensive, the Japanese being able to produce theirs 40 to 50 per cent cheaper. Recently they have been trying to compete in Europe where they can offer prices some 10 per cent lower than Bobst's. M. de Kalbermaten remains confident: "Our machines are more sophisticated, they are 20 to 50 per cent faster and we provide the better service."

Bobst remains essentially a family concern, although some 600 of its employees now own shares. M. de Kalbermaten and his joint managing director, M. Jacques Bobst, have just associated three new directors with them to form a top management team, but they will be expected to train the next family generation.

This year M. de Kalbermaten expects group output to be 5 to 10 per cent higher in volume than last year's and turnover should be "at least" 10 per cent higher.

Pantry Pride Revlon bid

By Terry Dodsworth in New York

PANTRY PRIDE, the Florida supermarket group, revamped its takeover bid for Revlon yesterday with a new offer primed to take advantage of the weakness in the share price of the cosmetics and health care group's Co.

Revlon announced yesterday morning that it had received an overwhelming response to the buyback, which was aimed at retiring 26 per cent of its equity. Under the repurchase plan, shareholders are to receive notes and preferred stock with a face value of \$57.50 per share—more than the \$41.25 Revlon is offering to buy back.

The new capital structure at Revlon, however, has been followed by a sharp mark down in its share price. In overnight trading on the "third market" Revlon's share price, which had risen to over \$45 in response to Pantry Pride's original offer of \$47.50, a share, dropped to \$39.

Pantry Pride's new bid was pitched at \$42 a share, and led to an increase in Revlon's price in early trading yesterday to \$41.25. Analysts say that although Revlon has constructed a strong technical defence, it is vulnerable to doubts about its prospective profits performance.

In addition Pantry Pride has strengthened its own financial position with a statement from its investment bank, Dresner Burnham Lambert, that it is "highly confident" that it can privately place around \$270m of debt securities it is raising to make the offer. A further \$750m of the financing for its \$1.35bn bid will come from cash and marketable securities it already has available, and the other \$340m from banking sources.

Pantry Pride is also attempting to nullify Revlon's other defensive ploy, based on the issue of note purchase rights, commonly known as Wall Street as a "poison pill".

Bond ahead—but retailers yet to report

By Michael Thompson-Noel in Sydney

BOND CORPORATION of Perth yesterday reported a 119 per cent surge in net profits to A\$20.5m (US\$13.8m) for the year to June, but the outcome does not include equity-accounted results at associated companies.

Principal among these are the troubled retailers, Waltons Bros and Norman Ross, which have yet to report. Bond recently gained control of Castlemaine Toolery, the Queensland-based brewer, in a A\$1.2bn deal which was Australia's biggest takeover to date.

It is maintaining its dividend at 10 cents a share on an increased capital, and announced a further one-for-five scrip issue. Bond Corporation—controlled by Mr Alan Bond, the Perth yachtsman—has grown rapidly of late, with interests that include brewing, property, television stations, natural resources, and Airship Industries of the UK.

Pre-tax profit for the year was A\$28.5m against A\$18.5m, while interest charges slipped from A\$25.3m to A\$20.8m. Sales were A\$518m compared with A\$365m.

The net earnings figure was struck before extraordinary gains of A\$6m against losses last time of A\$355,000.

Deficit sharply down at Hang Lung Bank

By David Dodwell in Hong Kong

HANG LUNG Bank, which has been controlled by the Hong Kong Government since it collapsed two years ago, yesterday announced significantly reduced losses for the year to March.

The improvement comes at a time when the Government is trying to sell the bank back into private hands. Morgan Guaranty, the U.S. investment bank, was asked a week ago to value Hang Lung, and to advise on how it could be reformed.

Hang Lung yesterday revealed losses for the 12 months of HK\$123m (U.S.\$15.7m). This compares with losses last year of HK\$352m. It claimed a steady growth in business, with increasing customer deposits and more advances to customers.

Shareholders' funds stood at HK\$357m at the end of the year, with gross assets at HK\$45bn, the bank said.

The Hong Kong Government has not revealed how much the rescue of Hang Lung in September 1983 cost the local taxpayer. The bill is thought to have been at least HK\$1bn.

	Six months to 30.6.85			Six months to 30.6.84			Year to 31.12.84		
	1985	1984	1983	1984	1983	1982	1984	1983	1982
GROUP SALES	275,229	232,374	466,576						
GROUP PROFIT/(LOSS)	12,875	(150)	2,542						
Before charging:									
Depreciation	8,530	8,530	16,222						
Debt interest	1,194	1,918	3,883						
GROUP PROFIT/(LOSS)	3,091	(10,596)	(17,543)						
Share of Profit/(Loss) of group Co.	4,733	(207)	2,889						
Share of Profit/(Loss) of related Co.	2,302	(51)	2,681						
GROUP PROFIT/(LOSS) BEFORE TAXATION	10,126	(10,854)	(12,074)						
Taxation	3,431	(20)	(634)						
GROUP PROFIT/(LOSS) AFTER TAXATION	6,695	(10,874)	(12,608)						
Extraordinary items	—	(1,800)	(24,687)						
GROUP PROFIT/(LOSS) ATTRIBUTABLE TO PARENT COMPANY	6,695	(12,674)	(37,295)						

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Over-the-Counter Market		Price Change		Gross Yield		P/E	
High	Low	Company	Price	Div. (p)	% Annual	Full	Yield
148	123	Acc. Int. Ind. Ord.	132	—	8.8	8.0	7.3
128	128	Acc. Int. Ind. Ord.	128	—	8.8	8.0	7.3
77	43	Almington Group	85	—	6.4	11.6	9.2
42	28	Amritage and Rhodes	41m	—	4.3	10.5	8.1
189	108	Barton Hill	184	—	4.0	2.5	19.5
60	20	Bry. Technologies	62	—	5.0	3.9	7.7
201	158	CCCL Ordinary	158	—	12.0	7.8	3.3
182	104	CCCL 11% Conv. P.	104	—	16.7	16.1	—
132	10	Carburetor Ind.	121	—	4.8	4.9	8.1
90	85	Carburetor Ind.	90	—	10.7	11.9	—
73	48	Deborah Services	52	—	7.0	13.4	5.4
487	170	Frank Horrell	481	—	1.4	3.3	11.3
380	170	Frank Horrell	380	—	11.9	3.1	9.2
32	33	Frederick Parker	32	—	—	—	—
83	33	George Blair	32	—	—	—	—
80	10	Ind. Precision Castings	82	—	2.7	10.8	8.4
218	177	Isle Group	185d	—	2.0	15.0	8.1
124	101	Jackson Group	104	—	6.5	8.3	7.0
285	213	James Burrough	220	—	15.0	15.0	7.3
94	83	James Burrough	92	—	12.3	14.0	—
86	71	John Howard and Co.	85	—	6.0	5.9	6.7
285	100	Lingingham Ord.	185	—	15.0	16.5	—
100	91	Lingingham 10.5% P.	91	—	15.0	16.5	—
850	300	Minihouse Holding	570	—	6.5	1.2	24.9
120	31	Robert Jenkins	88	—	—	—	11.0
80	28	Scrumble 'A'	74	—	—	—	—
92	61	Torrey and Cariffe	74	—	6.0	6.8	3.7
444	325	Trevian Holdings	325	—	4.3	13.8	18.2
113	81	Unilink Holdings	105d	—	5.6	7.7	8.8
247	195	W. S. Yates	200	—	17.4	8.7	5.7

BASE LENDING RATES

A.B.N. Bank	11 1/2%	Hambros Bank	11 1/2%
Allied Dunbar & Co.	11 1/2%	Heritable & Gen. Trust	11 1/2%
Allied Irish Bank	11 1/2%	Hill Samuel	11 1/2%
American Express Bk.	11 1/2%	C. Hoare & Co.	11 1/2%
Bank of America	11 1/2%	Hongkong & Shanghai	11 1/2%
Bank of Australia	11 1/2%	Johnson Matthey Bk.	11 1/2%
Bank of Canada	11 1/2%	Kowloon & Co. Ltd.	11 1/2%
Bank of China	11 1/2%	Lloyds Bank	11 1/2%
Bank of India	11 1/2%	Edward Manors & Co.	11 1/2%
Bank of Japan	11 1/2%	Meghraj & Sons Ltd.	11 1/2%
Bank of Korea	11 1/2%	Midland Bank	11 1/2%
Bank of London	11 1/2%	Morgan Grenfell	11 1/2%
Bank of Mauritius	11 1/2%	Mount Credit Corp. Ltd.	11 1/2%
Bank of New Zealand	11 1/2%	National Bk. of Kuwait	11 1/2%
Bank of Oman	11 1/2%	National Girobank	11 1/2%
Bank of Persia	11 1/2%	National Westminster	11 1/2%
Bank of Portugal	11 1/2%	Northern Bank Ltd.	11 1/2%
Bank of Romania	11 1/2%	People's Trust	11 1/2%
Bank of Russia	11 1/2%	R.K. Finance Int'l (UK)	11 1/2%
Bank of Siam	11 1/2%	Standard Trust Ltd.	11 1/2%
Bank of Spain	11 1/2%	St. Raphael & Sons	11 1/2%
Bank of Sweden	11 1/2%	Roxburgh Guarantees	11 1/2%
Bank of Switzerland	11 1/2%	Royal Bank of Scotland	11 1/2%
Bank of the East	11 1/2%	Royal Trust Co. Canada	11 1/2%
Bank of the Middle East	11 1/2%	J. Henry Schroder Wagg	11 1/2%
Bank of the Pacific	11 1/2%	Standard Chartered	11 1/2%
Bank of the South	11 1/2%	TCB	11 1/2%
Bank of the West	11 1/2%	Trustee Savings Bank	11 1/2%
Bank of the East	11 1/2%	United Bank of Kuwait	11 1/2%
Bank of the East	11 1/2%	United Bank of Kuwait	11 1/2%
Bank of the East	11 1/2%	Westpac Banking Corp.	11 1/2%
Bank of the East	11 1/2%	Whiteway Ltd.	11 1/2%
Bank of the East	11 1/2%	Williams & Glyn's	11 1/2%
Bank of the East	11 1/2%	Yorkshire Bank	11 1/2%
Bank of the East	11 1/2%	Members of the Accepting Houses	11 1/2%
Bank of the East	11 1/2%	7-day deposits 8.00% 1 month	8.50%
Bank of the East	11 1/2%	Top Tier—22,500+ at 3 months	11.25%
Bank of the East	11 1/2%	At call with £10,000+ reserve deposited	12.50%
Bank of the East	11 1/2%	Call deposits 11.25% and over	8% gross
Bank of the East	11 1/2%	8% deposits over £1,000	9.25%
Bank of the East	11 1/2%	Mortgage base rate	See Provincial Trust Ltd.
Bank of the East	11 1/2%	Demanded deposits 8%	

THE FINANCIAL TIMES ORDINARY SHARE INDEX

This six page survey, which appeared on July 1 1985, was published on the 50th anniversary of the FT Index.

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Williams & Glyn's and The Royal Bank of Scotland are merging. This will provide us with resources to build services and facilities for the future, while at the same time ensuring that everything our customers know and love, such as free banking and our famous friendly service, will continue. We'll also have a little extra in reserve.



The Royal Bank of Scotland
The new British Bank

THE ROYAL BANK OF SCOTLAND PLC REGISTERED OFFICE 42 ST ANDREW SQUARE EDINBURGH EH2 2YE

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479	-1
599	+10
990	2
985	-5
596	+10
244	+6
521	+6
535	+11
130	+1
350	+30
141	+40
570	-9
243	-9
780	-9
830	-9
795	-9

Price \$	+ or -
1.55	—
2.78	+0.02
4.06	+0.06
5.65	—
5.05	-0.01
2.11	—
2.14	-0.01
3.45	+0.05
0.54	+0.05
7.9	+0.02
5.78	—
1.44	+0.02
1.74	—
0.0	+0.02
0.00c	+0.02
2.20	+0.01
3.33	+0.04

Price and	+ or -
1.27	—
7.25	—
7.77	—
37.5	—
11.60	-0.15

17.26	-2
11.1	+0.51
17.78	-9.5
3.58	+0.55
4.36	+0.1
11.7	-0.1
16.7	-0.2
36	-1.25
11	-0.5
5.6	+0.5
2.4	-0.55
8.8	+0.55
5.75	+0.55
7.4	-0.3
5.25	+0.5
9	+0.5
3	+0.55
5.55	+0.55

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases

The dollar lost ground in currency markets yesterday after disappointing U.S. economic data. Figures released for industrial production and retail sales failed to underwrite a general opinion that the U.S. economy was expanding sharply. August retail sales grew just 0.4 per cent, including car sales while industrial output rose only 0.3 per cent. In addition producer prices fell by 0.3 per cent, suggesting a lower inflation rate and leading some to believe that the Federal authorities would not tighten up on interest rates despite rises in the money supply.

The dollar touched a high of DM 2.9480 but fell sharply in the afternoon to a low of DM 2.8800 before recovering to finish at DM 2.8980, down from DM 2.9420.

OTHER CURRENCIES

Sept 13	£	¢	Note Rates		
Argentina Austral	1,068.0-1,070.0	0.8000-0.8010	Australia Dollar	1,970.0-1,975.0	0.7500-0.7510
Australia Dollar	1,970.0-1,975.0	1,475.0-1,475.0	Belgium Franc	70.00-70.80	
Brazil Cruzeiro	9,805.0-9,805.0	1,475.0-1,475.0	Canada Dollar	1,325.0-1,325.0	0.7500-0.7510
Finland Markka	6,188.0-6,188.0	6,110.0-6,110.0	Denmark Krone	1,325.0-1,325.0	0.7500-0.7510
Greek Drachma	185.05-185.05	0.0000-0.0000	France Franc	1,325.0-1,325.0	0.7500-0.7510
Hong Kong Dollar	10,437.0-10,437.0	7,810.0-7,810.0	Germany Mark	1,325.0-1,325.0	0.7500-0.7510
Iran Rial	111.000	50.000	Italy Lira	2950-2950	0.7500-0.7510
Israeli Sheqel	0.4000-0.4114	0.5000-0.5000	Japan Yen	1,325.0-1,325.0	0.7500-0.7510
Kuwait Dinar	0.2000-0.2000	0.5000-0.5000	Netherlands Guilder	1,325.0-1,325.0	0.7500-0.7510
Lebanese Lira	150.000	150.000	Norway Krone	1,325.0-1,325.0	0.7500-0.7510
Malaysian Ringgit	2.3500-2.3500	2.3500-2.3500	Portugal Escudo	1,325.0-1,325.0	0.7500-0.7510
New Zealand Dollar	1.6725-1.6725	3,500.0-3,500.0	Sweden Krona	1,325.0-1,325.0	0.7500-0.7510
Saudi Arab Riyal	6,725.0-6,725.0	3,500.0-3,500.0	Switzerland Franc	1,325.0-1,325.0	0.7500-0.7510
Singapore Dollar	1.3575-1.3575	1.3575-1.3575	United States Dollar	1,325.0-1,325.0	0.7500-0.7510
South African Rand	3,555.0-3,555.0	2,450.0-2,450.0	Yugoslavia Dinar	1,325.0-1,325.0	0.7500-0.7510
U.A.E. Dirham	4,901.0-4,901.0	5,720.0-5,720.0			
Selling rates					
Rand Financial Ratio: 2,565.0-2,565.0 and 3,500.0-3,500.0 (C)					

Bank Financial Rates: 2.545-2.545 (S) and 3.480-3.480 (C)

EXCHANGE CROSS RATES

Sept 13	£	¢	U.S. Dollar	Deutschmark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.0000	1.0000	1.5485	3.3655	344.5	11.55	3.2005	3.7600	2,036.00	1.3555	76.85
U.S. Dollar	0.7500	0.7500	1.0000	1.3400	106.63	6.55	2.0060	2.3636	1,936.00	0.7500	76.85
Deutschmark	0.2937	0.2937	0.7398	1.0000	86.47	1.93	2.0060	2.3636	1,936.00	0.7500	76.85
Japanese Yen	3.4450	3.4450	119.85	293.71	100.00	16.09	3.2005	3.7600	2,036.00	1.3555	76.85
French Franc	0.1545	0.1545	6.5500	15.75	6.5500	1.0000	1.9300	2.2400	1,936.00	0.7500	76.85
Swiss Franc	0.5035	0.5035	2.0060	5.0350	3.0700	0.0611	1.0000	1.3636	1,936.00	0.7500	76.85
Dutch Guilder	0.3760	0.3760	0.2636	0.8647	0.2636	0.2636	0.2636	1.0000	1,936.00	0.7500	76.85
Italian Lira	0.5035	0.5035	2.0060	5.0350	3.0700	0.0611	1.0000	1.3636	1,936.00	0.7500	76.85
Canada Dollar	0.7500	0.7500	1.0000	1.3400	106.63	6.55	2.0060	2.3636	1,936.00	1.0000	76.85
Belgian Franc	1.3555	1.3555	0.7500	3.3655	344.5	11.55	3.2005	3.7600	2,036.00	0.7500	1.0000

STERLING INDEX

Sept 13	Previous	11.00 am	1.00 pm	2.00 pm	3.00 pm	4.00 pm
8.30 am	85.5	85.5	85.5	85.5	85.5	85.5
9.00 am	81.1	81.1	81.1	81.1	81.1	81.1
10.00 am	81.3	81.3	81.3	81.3	81.3	81.3

POUND SPOT—FORWARD AGAINST POUND

Sept 13	Day's spread	Close	One month	Three months	Six months	One year
U.S.	1,310.0-1,310.0	1,310.0-1,310.0	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm
Canada	1,325.0-1,325.0	1,325.0-1,325.0	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm
Netherlands	4.35-4.40	4.35-4.40	2.5-2.5 pm	2.5-2.5 pm	2.5-2.5 pm	2.5-2.5 pm
Belgium	78.14-78.14	78.14-78.14	10-10 pm	10-10 pm	10-10 pm	10-10 pm
Denmark	10.40-10.40	10.40-10.40	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm
Ireland	1,257.0-1,257.0	1,257.0-1,257.0	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm
W. Ger.	3.85-3.85	3.85-3.85	2.5-2.5 pm	2.5-2.5 pm	2.5-2.5 pm	2.5-2.5 pm
Portugal	220.0-220.0	220.0-220.0	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm
Spain	220.0-220.0	220.0-220.0	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm	0.50-0.50 pm
Italy	2,500.0-2,500.0	2,500.0-2,500.0	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm
Norway	11.32-11.32	11.32-11.32	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm
France	11.79-11.79	11.79-11.79	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm
Sweden	11.79-11.79	11.79-11.79	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm
Japan	320.0-320.0	320.0-320.0	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm
Austria	27.17-27.17	27.17-27.17	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm
Switzerland	3.16-3.16	3.16-3.16	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm	1.00-1.00 pm

Sept 13 forward dollar 1.75-1.80 pm, 12-month 2.60-2.65 pm.

Belgian rate for convertible francs. Financial franc 78.55-78.55.

Six-month forward dollar 1.75-1.80 pm, 12-month 2.60-2.65 pm.

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Belgian rate for convertible francs. Financial franc 78.55-78.55.

MONEY MARKETS

Rates ease

Interest rates were a little softer in London yesterday, reflecting a stronger pound. The latter was helped by a weaker dollar which failed to move on favourable but already anticipated U.S. economic data.

Otherwise trading was rather uneventful with the Bank of England providing adequate help on the day's shortage. Weekend interbank money opened at 11.13 per cent and went most of the morning at 10.11 per cent. Rates fell in the afternoon to a low of 5 per cent, while balances commanded up to 8 per cent.

UK clearing banks base lending rate 11 1/2 per cent since July 30.

Three-month money edged lower to 11.13 per cent while three-month eligible bank bills were bid at 11 1/2 per cent compared with 11 1/2 per cent.

The Bank of England forecast a shortage of around £200m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £220m and a further £240m. In addition banks brought forward balances £250m below target. These were partly offset by exchange transactions which added £240m.

The forecast was revised to a shortage of around £250m and the Bank gave assistance in the

LONDON MONEY RATES

Sept. 13 1985	Sterling Certificate of deposit	Interbank
Overnight.....	—	5-11½
2 days notice.....	—	—
7 days of.....	—	—
30 days notice.....	—	11½-12½
1 month.....	11½-11¾	11½-11¾
3 months.....	11½-11¾	11½-11¾
6 months.....	11½-11¾	11½-11¾
9 months.....	11½-11¾	11½-11¾
12 months.....	10¾-10¾	11½-11¾

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Energy Sept 12	840.112	40.00	5.50
More Cleveland Sept 11	818.75	28.94	4.50
School Mch Aug 27	819.58	28.78	1.25
20-47 Broad Street St. Bldg. Inv. Cl	834.757		

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Money Funds Ltd			
Asset	571,333	11.20	
Liability	1,000	0.00	
Net Asset	570,333	11.20	
Yield	2,645,295	4.58	
Dividend	1,000	0.00	
Yield	1,737,295	3.01	
World Bond Fund			
Assets: P.F. Bond 170, St Helier, Jersey	63,947,947		
World Bond Fund Ltd	1,000		
Net Asset	63,946,947		
Yield	11.20		
World Fund S.A.			
2 Bedford Row, Luxembourg	1,000		
World Fund S.A.	111.57	-0.57	
World Wide Growth Management Ltd			
10, Boulevard Royal, Luxembourg	1,000		
Worldwide Growth Fund	52.19	4.00	
World Wide Growth Management Ltd	11.20		
Yamadaiki Dynamic Mgmt Co SA	1,000		
10, Boulevard Royal, Luxembourg	3.24	-0.24	
Yamadaiki Dynamic Mgmt Co	11.20	-0.03	
Schwab Portfolio Selection Fund Ltd			
Asset	1,000	0.00	
Liability	1,000	0.00	
Net Asset	1,000	0.00	
Yield	1,000	0.00	
Dividend	1,000	0.00	
Yield	1,000	0.00	
The Charities Deposit Fund			
77 London Wall, London EC2M 4JG	11.20		
The Charities Deposit Fund	1,000		
Net Asset	11.20		
Yield	11.20		
Money Market Trust			
40 St Vincent St, ECAN, Ant	1,000		
Money Market Trust	11.16	0.34	
Money Market Trust	11.16	0.34	
Money Market Trust	11.16	0.34	
Opportunity Money Management Ltd			
40 Cannon St, EC4N 6AF	1,000		
Opportunity Money Management Ltd	11.16	0.34	
Opportunity Money Management Ltd	11.16	0.34	
Opportunity Money Management Ltd	11.16	0.34	

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Sl. No.	Mark	Mark & %
1	16	16/20 = 80%

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MINES—Continued

ANC chief calls for S. Africa nationalisation

BY ANTHONY ROBINSON IN JOHANNESBURG AND PATTI WALDMER IN LUSAKA

MR OLIVER TAMBO, exiled leader of South Africa's African National Congress, yesterday told South African business leaders that some of the major South African corporations would have to be nationalised or taken under a form of state control if the country's black majority ever gained political power.

"They represent tremendous wealth in the midst of unspeakable poverty," he said after six hours of talks between ANC leaders and a seven-man South African delegation including some of the country's top businessmen at the state lodge of Mr Kenneth Kaunda, Zambia's President, more than 300 miles from Lusaka.

The South African delegation was led by Mr Gavin Kelly, chairman of the Anglo-American Corporation. He was accompanied by Mr Zac de Beer, Anglo chief executive, Mr Tony Bloom, chairman of the Premier Milling group, Mr Harold Pakendorf, editor of the Afrikaans newspaper, Die Vaderland, Mr Tertius Myburgh, editor of the English language Sunday Times, Mr Hugh Murray, publisher of Leadership SA, and a representative of the South African Foundation, a reformist lobby group.

Speaking separately to journalists before returning to Johannesburg, Mr Kelly said the positions of the two sides were not as antagonistic as some might think, in the light of the recent announcement by the government of the restitution of citizenship for 8m homeland blacks and prospects for ending the remaining trappings of apartheid.

Mr Kelly said that the ANC had not been prepared to forswear violence or even diminish the use of violence to secure the release of its jailed leader Mr Nelson Mandela, and had called for Mr Mandela's release and that of other jailed leaders.

Mr Kelly, who has pressed for the unconditional release of Mr Mandela, said he had told the ANC that business in South Africa supported reform and that many businessmen also wanted to see the release of Mr Mandela and negotiations.

The unprecedented meeting between the ANC and business leaders took place in spite of opposition from President P. W. Botha, who said last Sunday that talking with the ANC in this way smacked of disloyalty.

The President's opposition led several potential participants to change their minds, but Mr Kelly said last night: "I would have thought that for South

Africans of any persuasion to come together and discuss the future of their country, was perfectly legitimate."

The delegation from the ANC, the main exiles' nationalist movement dedicated to fight white rule in South Africa, was headed by Mr Tambo who was accompanied by Mr Thabo Mbeki, ANC information secretary, and three other members of the organisation's executive committee.

Both sides referred to the possibility of future talks with Mr Tambo saying that at future meetings, they might begin to agree on what should be done about the South African situation.

Mr Tambo said his delegation admired South African businessmen for attending in spite of the disapproval of the South African President.

In the economy which will be needed in the years ahead if eventual political emancipation is not to be nullified by economic decline.

South African businessmen want to know, in particular, how far ANC thinking is still wedded to the Utopian vision outlined vaguely in the Freedom Charter drawn up in 1955. The two major demands of the charter are that "the people shall share in the country's wealth" and that "the land shall be shared among those who work it". More specifically, it says the mineral wealth of the banks and monopoly industry shall be transferred to the ownership of the people as a whole, and says that land shall be divided among those who work it "to banish famine and land hunger".

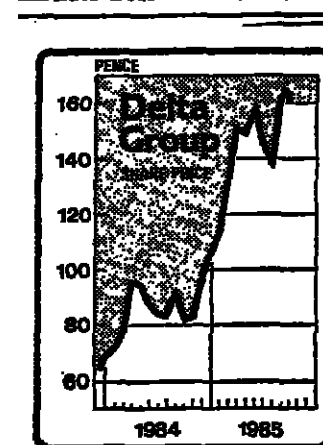
The assumption has been that the collapse of the Angolan and Mozambican economies, following the departure of Portuguese farmers and technicians, and the pragmatic recognition by President Robert Mabebe of Zimbabwe, and others of the need for a functioning white-run commercial farming and industrial service sector, have left their mark on ANC thinking.

Pass law plan under attack, Page 2

THE LEX COLUMN

The Kingdom strikes back

Index fell 2.1 to 1011.9



The threat of another million barrels of oil per day issuing from Saudi Arabia wells might well have been expected to put the spot oil market into a tailspin this week. In fact, prices remained remarkably firm, mainly because the extra oil has not yet materialised. Supply of crude to the spot market has been tight over the summer, and refineries replenishing their stocks for the autumn have not met the bargain prices they might have expected earlier in the year.

Oil producers must hope that the Saudis' extra production will be absorbed by the seasonal increase in demand from the approach of winter in the Northern Hemisphere. But in the last two years, the price of oil has fallen at this time of year precisely as demand has risen. Producers have tended to lose their summer discipline in the face of a small rise in demand and the result has been oversupply and falling prices. They may understandably be reluctant to hold back this year to allow Saudi Arabia, the richest member, to sell more oil.

If the extra production or the influence of Saudi Arabia's discount sales does drag the oil price down, U.S. banks will be even more worried about their oil-related loans, whether they be to oil-producing debtor countries in Latin America or exploration companies in Texas. Most of their loans were made when the oil price was \$35 a barrel, and rising. There must come a price, probably at around \$20 a barrel, when both borrowers and lenders come badly unstuck.

The U.S. banks are suffering the same sort of problem with their farm loans. When real estate values looked as if they would never fall, lending to farmers on the security of their land must have looked as safe as houses. Now the banks face a potential downward spiral in the value of their security as farmers leave their land for more profitable ventures. If the problems escalate, bankers may end up spending more time growing grain and pumping oil than lending money.

Mr Birch said Ward White had been studying the toy market since its purchase late last year of Halfords, the motor accessories and bicycle retailer, from Burnham Oil for £52m.

The offer is four Ward White shares for every three Maynards shares. On the basis of Ward White's unchanged closing price of 306p, and adjusting for a 1.95p-a-share interim dividend announced yesterday, the offer is worth about 406p for every Maynards share.

Maynards' shares soared yesterday on announcement of the bid, to close at 415p, up 80p on the day. There is a 400p-a-share cash alternative.

Ward White completed yesterday's bid with an announcement of first-half figures showing pre-tax profits of £7.4m—up from £3.17m last time—on £141m turnover.

Maynards, which last year sold its 133 confectionery, tobacco and newsagent outlets, produced pre-tax profits in the year to last month of £1.19m on £55m turnover.

Ward White is advised by Morgan Grenfell, Maynards by Baring Brothers.

points by its £21m issue last April. Having started off the year on a high note, Crucible has found the rising pound and increasing handicap quite apart from devaluations in Mexico, Australia, Italy and South Africa. It has also run into slower demand in the U.S. Though operating margins showed a further slight improvement, life has become more of a struggle than it looked six months ago.

This combination of rights with tougher trading conditions has not done the shares much good. Although there has been some optimistic account-buying lately, it seems to have been shaken out by the results; the 5p fall to 191p yesterday was perhaps harsher than the figures called for in themselves. After all, Crucible should make between £18m and £20m for the full year—about 20 per cent up—and its product list is still moving in a direction, away from straightforward metalurgy, that currently wins favour in the equity market; changing the name of the electronics division (formerly known as Accorn) was a prudent move. But the restructuring process will probably not regain its momentum until the group's difficult currency basket shows a bit more stability. Crucible is a case for average exchange rates, if ever there was one, but this year even that might not be too much help.

Someone had eventually to put the Raybeck retailing operations out of their misery. Repeatedly caught out by sluggish trading reflexes, the Raybeck shops have all too evidently been worth far more to Raybeck as properties to be sold than as loss-making outlets for slow-moving fashion failures. There is as little doubt that the portfolio is better off in the hands of Hepworth, which is sure to make a decent retailing return on the £11.5m investment when it makes the shops over into its multiplying varieties of "Next", perhaps even retaining the occasional "Detroit" or "Lord John" on the sites with shorter leases. Admittedly, these Raybeck chains were never in the vanguard of concept retailing, but fund managers who have already done well by taking up shares in yesterday's Hepworth placing should spare a thought for their predecessors—who once thought that Raybeck was a pretty hot thing.

Recovery profits from British engineering companies may be old hat, but it seems rather curious of the market to mark to go soft—then Morgan Crucible definitely won a few

Gomme fails in pension plea to Revenue

By Eric Short

Gomme Holdings' attempt to claw back £2.9m from the £4.1m surplus in its pension scheme has been rejected by the Inland Revenue.

Written confirmation that the proposed refund would not be permitted has now been given to the company, which makes G Plan furniture. Its share price fell 2 1/2p on the news and finished 1 1/2p lower at 44 1/2p.

Many company pension schemes are at present in a healthy financial position because of buoyant investment returns, low salary increases and large-scale redundancies.

When overfunding occurs, the Inland Revenue's Superannuation Funds Office expects surpluses to be reduced as quickly as possible, as they represent over provision of tax relief to schemes.

Mr John Moore, Financial Secretary to the Treasury, told MPs in July that this was meant to be done by improving benefits or by giving contribution holidays to employees and employers. Mr Moore warned that even in these circumstances refunds would not be granted automatically.

Gomme said in February, before it had started serious negotiations with the Inland Revenue, that it intended to seek a refund.

The company has substantially improved benefits for pensioners and widows and has given employees a five-year break from paying contributions, at an overall cost to the surplus of £1.2m.

After returning to profitability following three successive years of losses, Gomme would find a lump refund far more useful to its financing than a contributions holiday.

It has not, however, been able to persuade the Revenue to accept its proposal. It is believed that the Revenue regards Gomme as a test case, although it declined to comment yesterday.

European space hopes set back by failure of Ariane launch

BY DAVID MARSH IN PARIS

PRESIDENT Francois Mitterrand yesterday witnessed an embarrassing setback for Europe's space efforts when the French-led Ariane space rocket failed shortly after lift off from Kourou in French Guiana.

The launch failure destroyed two communications satellites and added to this year's tide of aerospace insurance losses. It also took the edge off the president's confidence-boosting trip to the Kourou space base and France's nuclear test site in the South Pacific.

The setback came early yesterday just under 10 minutes after lift-off. Space centre engineers destroyed the rocket in flight by remote control after faulty ignition of the third stage engine had threatened to send it into a dangerously low trajectory over land.

The failure led to the loss of two satellites owned by the European satellite organisation Eutelsat and the U.S. communications group GTE Spacenet. A committee of experts was yesterday trying to determine the exact cause.

Further scheduled satellite launches by Ariane in November and December seem certain to be delayed.

President Mitterrand, after flying from French Guiana, yesterday presided over a meeting of ambassadors and military officials at Murooa in French Polynesia. He is the first president to visit the test area since General de Gaulle in 1966.

The journey was twice held up by minor technical faults on take-off with the President's Concorde airliner. The trip was designed to reaffirm France's intention to maintain its strategic interests in the South Pacific in spite of controversy over nuclear testing there as a result of the Rainbow Warrior affair. Mr Mitterrand is due to return to Paris today.

Since its first lift-off in 1979, Ariane has failed three times. The last failure in September 1982, was caused by a malfunction in the third stage of the rocket.

Ariane, of which the £1bn (£546m) development costs have been financed 60 per cent by France, has made nine successive successful missions out of 15 attempted since 1979. This has given the rocket a considerable competitive boost in U.S. space shuttle, which has suffered a string of technical setbacks over the past two years.

French space officials have for several months been expecting a break in the run of Ariane successes.

There was considerable disappointment in both Paris and Kourou yesterday that the setback took place before President Mitterrand. One of the intentions of the visit to Kourou was to emphasise the links between space and missile technology and the French nuclear deterrent.

Mr Mitterrand, who had been following the flight from the control centre and had intended to toast the launch afterwards with champagne, told technicians he shared their disappointment. But he reaffirmed that Ariane's future was not in doubt.

Total losses caused by yesterday's failure, including launch fees and the loss of operating time of the two satellites as well as the hardware, were estimated at £190m. It was not clear if all was covered by insurance. Satellite premiums have already been pushed up this year to around 20 per cent of the value of spacecraft by a series of incidents with the U.S. space shuttle.

Ward White in £20m bid for Maynards

By Martin Dickson

WARD WHITE, the fast-growing Northants-based retailer, yesterday launched a £20m takeover bid for Maynards, the London-based toy retailer and confectionery maker.

Mr Philip Birch, chairman of Ward White, made clear his interest was in Maynards's chain of 80 toy shops trading under the name Zodiak and not in its confectionery side which includes making wine gums and jelly beans.

Ward White, which has built a 20.1 per cent stake in Maynards in recent months, said it was seeking a recommendation of its offer from Maynards board.

Maynards, which last year fought off a bid from Mr Lew Cartier, a former supermarket chain owner, said last night that it was considering the situation.

Mr Birch said Ward White had been studying the toy market since its purchase late last year of Halfords, the motor accessories and bicycle retailer, from Burnham Oil for £52m.

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Insurers face claim of £131m

BY JOHN MOORE, CITY CORRESPONDENT

THE LATEST setback in the satellite programme will cost international insurers \$175m (£131m), one of the largest claims in this field to be presented to the insurance market.

The business was placed with insurers by brokers C. T. Bowring and its U.S. parent company Marsh & McLennan, which was yesterday trying to assess the extent of individual liabilities. Underwriters in the Lloyd's insurance market led on the risk, with the Ariel syndicate the lead underwriter.

Underwriters in London have not yet worked out how much of the business was placed with British insurance companies and Lloyd's underwriters. A large amount, however, was said to have been placed at Lloyd's.

Even so, Lloyd's net exposure to satellite insurance risks is small, with some underwriters retaining under 1 per cent of the underlying risk. Lloyd's underwriters lay off virtually all the risk with overseas reinsurance companies, which protect the market against onerous losses.

Since 1977, satellite losses have led to more than \$700m in insurance claims for underwriters. The largest loss came from Western Union's Westar-6 and Indonesia's Palapa B-2, when malfunction led to insurance claims of \$180m.

Premium rates on this type of business have been climbing and there have been fears that the availability of such insurance will disappear as claims mount.

Oil price Continued from Page 1

Shell and Mitsubishi the Japanese trading company, are being negotiated.

Saudi Arabia has been the only Opec member which has observed the organisation's pricing rules. The result has been that its oil is the most expensive in the world. Saudi production has slumped from last year's average of 4.4 million b/d—in line with its quota under present Opec agreement—to an average of about 2.5 million b/d since May.

In the year to March 1985, Saudi Arabia's liquid reserves

fell by about \$20bn to about \$80bn and it is likely that there has been at least a further \$10bn fall since May.

The net back deals are designed to increase Saudi Arabia's dwindling market share. Sheikh Yamani warned yesterday that if this failed Saudi Arabia would consider ensuring its crude prices were competitive with those of Brent, the main North Sea crude, or a cut to as low as \$15 a barrel next spring.

Oil traders yesterday appeared sanguine about the prospect of increased Saudi production.

They argued that it would complement the severe shortfall in crude exports from the Soviet Union.

Cargoes of Brent for prompt delivery were quoted yesterday at \$27.90 a barrel, unchanged on the day. Arabian Light was also unchanged at \$27.65. But after freight charges, Saudi crude is more expensive in Europe and the U.S. than Brent.

It is believed that the U.S. oil companies are taking the setback crude on the understanding that the oil does not move east of Suez.

BankAmerica Continued from Page 1

Mr Samuel H. Armacost, BankAmerica's president and chief executive, said: "We have achieved all of the objectives we set for the sale of this asset. The funds realised from the sale will increase our flexibility in an extremely competitive market place. They will allow us to strengthen existing business activities and pursue strategic objectives."

BankAmerica is expected to use the proceeds to help strengthen existing operations; consolidate recent acquisitions, including the troubled Seafirst Bank and Charles Schwab, the nation's largest discount broker; and complete its recently

approved purchase of Oregon Bank, the third largest bank in Oregon, for \$57m.

BankAmerica said it did not expect to use the proceeds to bolster reserves against possible loan losses, which stand at \$1.5bn or 1.81 per cent of outstanding loans.

Faced with continuing credit problems for its \$54bn loan portfolio, BankAmerica was forced to add \$527m to loan losses and to write-off \$382m in troubled loans in the second quarter of 1985. This led to the large quarterly losses on trading.

Under the terms of the agree-

ment with Mr Shorenstein, the banking group will initially lease back 60 per cent of the 1.5m sq ft tower, all of the ground floor branch facility and an adjoining building.

An undisclosed portion of the sale price will be paid at closing and the remainder will be paid with interest over a period.

In recent years a large number of major U.S. banks have entered into similar headquarters sale-and-leaseback arrangements, many of them using the proceeds to bolster reserves against possible future loan losses which count towards banks' primary capital.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:			
Exch. 12p 73-17	£1194 1/4		
Akroyd & Smithers	330 + 25		
Anchor Chemicals	218 + 10		
BPI Inds.	278 + 11		
Brown & Tawse	161 + 6		
Burton	508 + 15		
Garnar Boddie	193 + 8		
Gears Gross	82 + 7		
Hepworth (J.)	228 + 3		
Hestair	100 + 7		
Imperial Group	194 + 8		
Maynards	415 + 80		
Sears	112 + 41		
Somportex	87 + 15		

UK today: Gale, rain moving southwards. Brighter later except in S. England.

WORLDWIDE WEATHER

	Y'day	Today	Y'day	Today	Y'day	Today	Y'day	Today						
	midday	°C	°F	midday	°C	°F	midday	°C	°F					
Alajolo	S	27	81	Corfu	S	26	79	Luzern	19	66	Paris	17	63	
Algiers	S	28	82	Delafat	S	24	75	Madeira	24	75	Palmira	17	63	
Amman	S	18	64	Edessa	S	24	75	Manila	24	75	Peking	18	64	
Athens	27	81	Brnkav.	S	24	75	Majorca	28	82	Rijyk.	18	64		
Bahrain	S	38	97	Ednagh.	S	14	57	Medan	28	82	Rio Jof.	10	50	
Batavia	S	28	82	Faro	S	28	82	Mexico	19	66	Rome	26	79	
Beirut	S	28	82	Florence	28	82	M'chstr.	15	59	Rosario	26	79		
Bombay	S	28	82	Gaziz.	S	28	82	M'chstr.	15	59	Saint Paul	26	79	
Buenos Aires	F	17	63	Genoa	S	28	82	Mex. C.T	24	75	S'ciscat	13	56	
Calcutta	F	27	81	Gloria.	S	26	77	Miami	24	75	Singapur.	F	31	88
Cairo	S	28	82	Hankow	S	26	77	Manila	24	75	Singapur.	F	31	88
Cardiff	S	18	64	Hongkong	S	18	61	Montr.'t	12	54	Stockhm.	F	17	63
Cebu	S	18	64	C'rmay	S	18	61	Moscow	7	45	Strasbg.	F	24	75
Copenhagen	14	57	Helsinki	16	61	Moscow	7	45	Tokyo	28	82	Tientsin	28	82
Colon	S	28	82	Hongkong	S	18	61	Nairobi	27	81	Tientsin	28	82	
Dord.	S	23	73	Innsbrk.	S	22	72	Nairobi	27	81	Tel Aviv	27	81	
Boulogne	S	28	82	Inverna.	S	13	55	Nassau	S	27	81	Tokyo	28	82
Buenos Aires	S	18	64	Ischia	F	18	64	Nassau	16	61	T'ntrot	27	81	
Budapest	R	18	64	Istanbul	F	18	64	N'wport	16	61	Tokyo	28	82	
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Buen														

C-Cloudy, F-Fair, R-Rain, S-Sunny, T-Thunder, M-Mist, B-Breeze, H-Haze, L-Light, V-Vivid, G-Gale, S-Squall, T-Tornado, C-Cloud, F-Fair, R-Rain, S-Sunny, T-Thunder, M-Mist, B-Breeze, H-Haze, L-Light, V-Vivid, G-Gale, S-Squall, T-Tornado.

PROFITS UP 33%

SIXTH SUCCESSIVE HALF YEARLY INCREASE

- Increased interim dividend – up 29%
- All four core businesses earned higher profits
- Interest charges reduced

	Half year to 29.6.85 (unaudited)	Half year to 30.6.84 (unaudited)	Year 1984
Turnover	£304.5m	£292.8m	£590.2m
Profit before taxation	£26.6m	£20.0m	£45.7m
Earnings per share	9.9p	6.5p	17.0p
Dividend per share	2.35p	1.82p	4.5p

Analysis of turnover and profit before taxation

	Turnover	Profit before taxation		Turnover	Profit before taxation
	£m	£m		£m	£m
By activity:			By area:		
Electrical equipment	143.3	14.1	UK	268.5	19.4
Fluid controls	50.0	1.6	Africa	41.3	6.6
Industrial services	68.1	8.3	Australia & SE Asia	32.9	2.3
Metals	95.1	5.7	North & South America	8.6	1.3
Corporate finance	—	(3.1)	Western Europe	12.2	0.1
			Corporate finance	—	(3.1)
	304.5	26.6		304.5	26.6
Less: inter-group and related companies	58.0		Less: inter-group and related companies	58.0	
	£304.5			£304.5	

Copies of the interim report available from:
The Secretary, Delta Group p.l.c., 1 Kingsway, London WC2B 6XP.

DELTA

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WEEKEND FT

Saturday September 14 1985

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

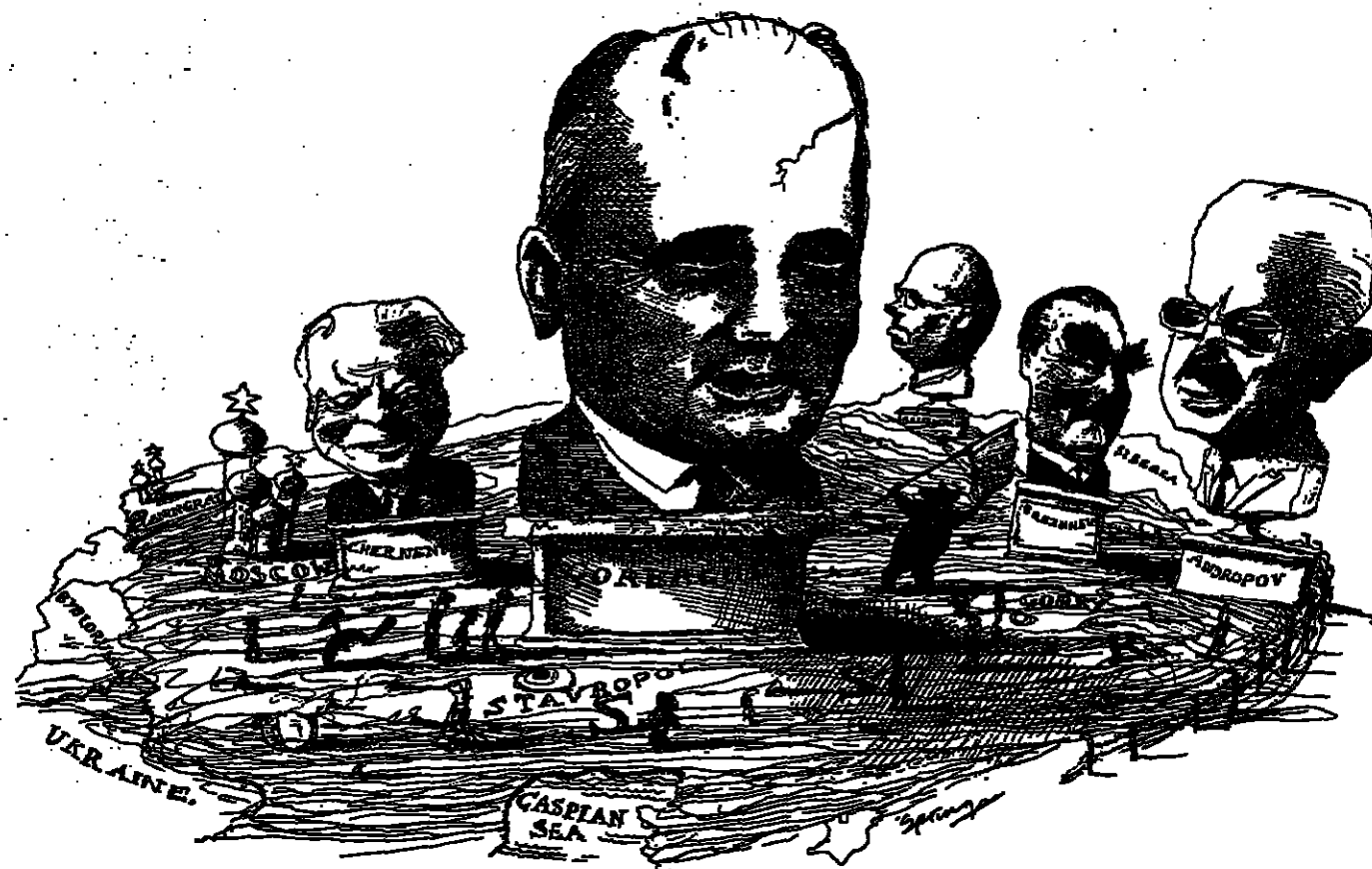
In six remarkable months the Soviet Union's new ruler has set the Kremlin buzzing. Yet, he is still an enigma to the world outside. Z. A. B. Zeman looks at the background.

MIKHAIL GORBACHEV is now a household name, even if it is often mispronounced (it should be Gor-ba-choff). But few foreign governments and intelligence agencies, let alone households, have a very clear idea of what the new Kremlin ruler is really about. It is not for want of trying. The world's Kremlinologists and press have hung on every word Mr Gorbachev has uttered during his first remarkable six months in power. They will increase their scrutiny in the next two months as he moves into the centre of the world stage, with his trip to Paris early next month, then to Geneva, to meet President Reagan on November 19-20, the first superpower summit since 1979.

With speed remarkable in a system that prizes—indeed, usually requires—caution and consensus, Mr Gorbachev has set about appointing his own men and laying out his own policies. He has created four new voting members of the ruling Politburo, sacked 10 government ministers, replaced one-sixth out of the 120 regional party secretaries, picked his own foreign minister, put new generals in charge of the nuclear rocket forces and of ground forces on the key Western front, re-engaged—and to some extent pushed on—to the defensive the U.S. on arms control, privatised the cause of sweeping economic management changes at home and, lastly but not least, acted to curb consumption of the demon vodka.

We also know something about his style. Soviet television has given glimpses of the new general secretary on his "walkabouts" in the streets of Moscow, Leningrad, Kiev—evidence of a stated desire to "go out and meet the people more"—and of his highly presentable First Family: his wife, daughter Irina and his granddaughter, Oksana. His trips to Canada and Britain in 1984-85 and his Kremlin meetings with foreign leaders since becoming general secretary in March this year have shown him to be business-like and a good listener, also quick and adroit in toughly defending Soviet interests.

A search for the longer-term implications of Mr Gorbachev's arrival in power has to go further. His election or selection in March did more than provide an opportunity for a new political generation. It marked the end of an era in Soviet history. It was an era in which the concerns of European Russia predominated; in particular, the completion of the industrial infrastructure and the security of the Western border. It was also marked by repeated attempts, and failures, at modest economic reform. The new men, many of them from the "frontier" regions to the south and east of European Russia, have different or more ambitious priorities and, in Gorbachev, a leader with enough youth, luck and pioneer self-confidence to try to put them into practice.



In search of the real Gorbachev

chev, a leader with enough youth, luck and pioneer self-confidence to try to put them into practice.

The self-confidence in Gorbachev, which Presidents Mitterrand and Reagan will soon be testing first-hand, must stem in part from the way fortune has shone at key points in his career.

The first big leg-up came after he had spent four years, 1946-50, in his native Stavropol region in southern Russia just north of the Caucasus, as "an assistant combine harvester operator," as the official biography puts it. What this grandiose title probably meant was that he was the youngster who threw wheat-sheaves into the threshers. Somehow he did well enough at this humble job to be awarded the Order of the Red Flag of Labor; well enough for his village, Privolnoe, to get him into the country's most prestigious university in Moscow, at the age of 19, to study law.

There he met his future wife, Raisa Titovna, joined the party in 1952, and became responsible for ideology and propaganda in the law faculty's Komsomol party youth organisation. One of his contemporaries remembers him as an ostentatious upholder of party orthodoxy.

Another classmate has a rather different recollection. He is Zdenek Myrny, a Czech who later rose to ill-starred prominence under Dubcek and now lives in the West, but who was then a fellow law student sharing the same seminars and living in the same hostel in Moscow. Gorbachev, it seems, early on

showed a strong bent for the tough, but practical approach. When they studied Kolkhoz law (governing collective farms), Gorbachev scorned the role it played in everyday life and stressed the importance of compulsion in securing labour discipline. Marxist ideology was, for him, neither a set of inflexible rules nor a labour-saving device of the spirit, but a way of finding out how the world really worked. He was, apparently, especially fond of legal propositions that "truth is always concrete."

It was precisely this penchant for the practical that led Gorbachev to welcome the fall, in 1964, of Khrushchev, as he later vouchsafed to Myrny when they last met in 1967. His career prospered under Khrushchev: he returned to Stavropol in 1956 to head the local Komsomol; but the way that the erratic Nikita kept the economy, including agriculture, under steady bombardment of half-baked reform was too unpredictable for the orderly Gorbachev's liking. Even Khrushchev's attempts to decentralise took the perverse form of interference from the centre.

Becoming head of the Stavropol city party in 1966, the same year as he collected his agronomy diploma, in 1970 Gorbachev then went on to become first secretary of the Stavropol regional party. At the age of 39 he had reached what is for most Soviet politicians, the apogee of their career. There he might have stayed, running this key farming area well and developing an easy, natural authority but without the chance to

translate these skills and qualities to the Kremlin, had not fortune smiled on him again at a crucial meeting in 1978.

It was in September of that year, at the aptly-named spa town of Mineralnye Vody (Mineral Water) in the Stavropol region Yuri Andropov, then head of the KGB, was there. So was Gorbachev. This was not unusual. The secret police chief, himself born only a few miles from Privolnoe, had for several years relaxed at the spa, with Gorbachev, the local party boss, in attendance. What made it unusual was that President Brezhnev and his loyal bag-carrier Konstantin Chernenko, decided to drop in on their way to Baku, further east. What made it historic was that Andropov took the opportunity to persuade the flying visitors that his young protégé, Gorbachev, should go to Moscow to take charge of the problem area of agriculture as central committee secretary.

This chance meeting brought together not only four present and future general secretaries of the party, but two sharply contrasting political cultures within the Soviet leadership.

The concerns of the two oldest men, Brezhnev and Chernenko, were deeply embedded in European Russia, particularly the Ukraine, where Brezhnev had attended the Dnepropetrovsk metallurgical institute as far back as the 1930s and was, during his long tenure as general secretary (1964-82), to make much use of the "Dnepropetrovsk mafia." The central importance of the Ukraine particularly its heavy industry, marked

the Brezhnev generation.

The roots of Andropov and Gorbachev lay elsewhere—which is why with the latter's elevation to the Kremlin, the centre of gravity of Soviet power, is shifting and changing the Politburo's composition. The Stavropol region is part of the south-eastern marshlands of Russia. Georgia, Armenia and Azerbaijan lie close to the south, with the central Asian republics beyond the Caspian Sea. The steppe arches over the Black and Caspian seas, linking central Asia to the Ukraine.

From the Andropov-Gorbachev viewpoint, neither European Russia nor the Ukraine can present Moscow with political surprises. The success or failure of Soviet rule will be determined in Asia, and in Siberia. This view is underscored by recent demographic development.

Between 1979 and 1984, the population of the Russian Federal Republic (RSFSR) increased by 3.3 per cent; of the Ukraine by only 1.8 per cent. In the same period, Azerbaijan and Armenia registered respective increases of 7.9 and 7.8 per cent; Uzbekistan added 13.7 per cent; Kirgizia 10.1; Turkmenistan 13; and Tajikistan 14.5.

The severe demographic imbalance between the European and central Asian parts of the Soviet Union has created surplus labour in an economy which suffers from chronic labour shortage. It has provided an increasing proportion of Moslems recruits into the armed services. The area of high population growth lies south of Siberia—the great development area of the Soviet Union—which has suffered the severest labour shortages. A large part of Russia's natural wealth is locked in the permafrost of Siberia.

The area of greatest opportunity marches with the area of most severe problems. This fact has made its impact on the Politburo. Mr Gorbachev is following in the direction marked out by Andropov. The latter's drive against corruption opened in Azerbaijan, where the party and government leadership was discredited in 1968. (The operation was directed by the local KGB head, Mr Geidar Aliyev. He became candidate member of the Politburo in 1978, a full member under Andropov in 1982.) Two years later, in 1971, a similar purge was carried out in Georgia. When it was completed, extra security measures had to be taken for the new party leader as he went about his business. This man was Mr Eduard Shevardnadze, who recently replaced Andrei Gromyko as foreign minister, with full Politburo membership.

In a less dramatic way, Siberia has also provided top party leadership with new blood. Soon after the election of Mr Gorbachev as the first secretary of the party, its Politburo received the largest addition of new blood in 12 years. The importance of the KGB was acknowledged by the elevation of its chairman, Victor Chebrikov. The other two newly appointed members of the Politburo, Egor Ligachev and Nikolai Ryzhkov, have strong Siberian antecedents.

After local party responsibilities in Novosibirsk and Tomsk, Ligachev went in April 1983 to Moscow, where he became responsible for party organisation. He has been credited with initiating the campaign against alcoholism and, together with Mr Gorbachev, he has been responsible for all the reshuffling inside the party. As for Nikolai Ryzhkov, before he moved to Moscow in 1975, he had spent most of his working life as a top manager at Sverdlovsk in the Urals, an important centre of military industry on the Siberian border.

Andropov left behind a hurried sketch of reform. Gorbachev is no stranger to the world of ideas, and he is a skilled politician. He is free from the political

fanaticism of an earlier era. It remains to be seen how he will use his considerable political talents. He has the time to deploy them to best advantage.

Neither Gorbachev nor any of the new leaders any longer assumes that economic performance would be diminished either by decent standards of living or by considerate treatment of the people. They have seen enough of reluctant experiments in economic reform, which started taking place when the infrastructure of smokesack industries was still being strenuously completed, and when party discipline conducted warfare against personal initiative. At the same time, Gorbachev clearly does not intend to let economic reform in the Soviet Union follow the same market-oriented route now taken in, say, China or Hungary.

The arguments over economic reform have sometimes raised the question of its relationship with reform of the political system. The form, for Gorbachev, would not of course mean experiments with, say, the introduction of new political parties or with other forms of political pluralism, as commonly understood in the West. The Communist Party's monopoly of political power has never been at issue. Reform, for Mr Gorbachev, may mean little strolls into television politics. But above all, it will mean lightening the hand of bureaucracy, devolution of some power from the centre to the regions and giving personal responsibility and initiative freer play at lower levels of the hierarchy.

Reform at home is overdue. Pushing it through will be Gorbachev's first priority as he designs a new five-year plan for 1986-90 and gears up for next spring's party congress. But he is also moving Soviet foreign policy into a more active phase, and giving it a wider dimension. The forthcoming summit with Reagan, and key arms-control issues, will mean that for a time Moscow will seem as preoccupied as ever by relations with the U.S. But just before he became general secretary, Gorbachev reminded Russians that the outside world did not consist of America alone (a remark that could have been addressed to Andrei Gromyko and his career-long obsession with the U.S., which may help to explain his being kicked upstairs to the presidency). In the past six months, the Soviet Union has signed a trade treaty with China, made overtures towards Israel with a view, apparently, towards playing a more central role in Middle East politics, reaffirmed its close relations with India, and offered political recognition of the European Community.

It is too simple and one-sided to correlate an influx of southerners and easterners into the Soviet leadership with new Soviet initiatives in Asia and the Middle East, but the new men in Moscow do seem to have a wider view of their country's place in the world. Some people in the West suggest that Russia's leaders are held captive by their own political system. They assume that Mr Gorbachev and his colleagues will, in the end, be crushed under the weight of vested interests within the apparatus of the party. It seems to me that such an assumption is not merely mistaken, but that it affects adversely the formulation of Western responses. The West will have to respond to more than a new style of leadership. Personnel changes in Moscow so far, and the underlying shifts in the centres of gravity in the Soviet Union, will become gradually reflected in its domestic and foreign policies. The pace will become faster, and Western leaders will have to keep up with it.

The Long View

Floating rate alchemy and fool's gold

GREED was always the blindfold vice. If the alchemists of the Middle Ages had ever solved their alchemical problem they would simply have spoiled the market for gold. We are much more scientific these days, of course, but we still have alchemists among us; instead of making gold out of base metal, they spin money out of thin air. Unless something is done to stop them, no prizes are offered for guessing what will happen to the value of money.

It is fashionable at the moment to be very complacent about inflation; but it is not very easy to sustain that mood if you look closely at the antics of the increasingly deregulated banks and the near backwash of the English-speaking world. Occasionally, a supervisor will stir in his slumbers, and give someone like Kleinwort Benson a wiggling for actually advertising an offer to turn unmortgaged house values into ready cash; but only occasionally.

How long is it, after all, since you had a letter almost begging you to borrow some more? Or if you are an ambitious manager, or a director of a company under some remote threat of takeover, how difficult do you think it would be to borrow the money for a management buy-out? In the U.S., of course, you would not even have to be an interested party; a would-be bidder can borrow on the security of the company he hopes to buy.

And what, you may be asking, is wrong with that? The lending, I am discussing is all secured, after all, so it must be perfectly safe and sound.

The alchemy at work here is not the actual creation of money, which is simply a by-product, but the magic through which the banks suppose that they have abolished risk—the illusion of soundness, which

It is fashionable at the moment to be complacent about inflation but harder to sustain the mood if you look at the antics of the increasingly deregulated banks of the English-speaking world, says Anthony Harris.



seems to convince supervisors as well as greedy bankers. The supposed safety of collateral is of course a problem as old as banking; it is because of the standing temptation to turn all embodied values into money that we have to have an official monetary policy.

But the problem has been redoubled by the new alchemy of floating interest rates, which seems to abolish the other constraint on bank expansion—the risk of borrowing

short to lend long. Safer and sounder than ever, bankers will argue. That's the blindfold.

The problem with collateral is overlooked because it only appears if the music stops. As long as lending against market values goes unchecked, and especially if it goes on accelerating, then the lending bids up the values. Imagine what would happen to house prices, for example, if there were a prolonged mortgage famine, or a rule such as we once had re-

stricting advances to 70 per cent of valuation.

The risks involved in the current state of corporate raiding and leveraged bidding which is spreading across the Atlantic like some hysterical passion in pop music are greater, of course, since the companies involved tend to change hands at prices that are decidedly fancy even by the standards set by excessive credit expansion in the market generally. Pig on pork, as the older generation of stockbrokers can still be heard to mutter.

However, the growth still used to be restrained by a certain basic prudence: long-term loan might prove very expensive if interest rates and the cost of deposits rose sharply after it was made, in the long-lost days of fixed contracts.

Floating rates—which, like overdrafts, command an interest rate which moves with the cost of funds—abolished this financial risk. London banks, which have long enjoyed this privilege, used to pay for it by submitting to various central constraints on their growth. American banks, which woke up late in the day, used to be constrained by a usury ceiling which prevented their bidding for deposits when conditions were tight. Now we have deregulation.

The result, both in New York and London, has been an undisciplined scramble for growth and market share, often regardless of miserable margins, and generally regardless of risk. The result has followed in two acts as inevitable as a Greek tragedy.

First, the central banks tried to restrain the growth of credit with ever-tighter policies, which drove interest rates to unprecedented levels. But this merely exposed the underlying risk: bankers were no more secure than those to whom they

had lent. The squeeze caused a crisis not only among the sovereign borrowers of the developing world, but in any market where the collateral values which were supposed to secure the business have fallen—in the oilfields of Texas, the vineyards of California (and now, no doubt, of Austria).

The second phase is now with us: to bale out borrowers, and their creditors, interest rates must be driven down. Despite the fact that narrow money in the U.S. and broad money here are growing at up to twice the rates which are officially supposed to be allowed, there is no talk of a new credit crunch. The markets know that the risks are now so great that the authorities dare not mount a real squeeze.

To be sure, the authorities are belatedly aware of the risks about which they were so complacent during the most explosive period of lending growth; they are struggling to achieve a soft landing, in which credit costs are low enough to permit borrowers to survive, but enough bankers have had enough frights to show less appetite for new lending at paper-thin margins.

The cleverer banks are looking for services rather than to their balance sheets for growth, the regulators are beginning to impose tighter rules and to call for enhanced capital adequacy and dividend restraint.

However, new entrants to the market have yet to learn from bad experience, and supervisors are still torn between the need for restraint on the whole system and the need to temper the wind to the shorn borrower. All the figures, and the fever in the financial markets, suggest that an indelible cushion is a growing part of the rescue kit being used to ensure a soft landing. Anyone for indexed bonds?



FAST WOMEN

Here's your chance to see some of the world's best women athletes in action at Crystal Palace today, Saturday, September 14th, starting at 130pm. It's the top women's event of the season with many invited internationally famous guest runners.

Highlights will be televised and shown on ITV. Wherever you are, whatever you do, don't miss it!

Tickets for a family of four cost from just £5. So why not make it a fun day out for everyone. Sponsored by HFC Trust & Savings.

ENGLAND WOMEN v ROMANIA WOMEN

TODAY
AT CRYSTAL PALACE.

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MARKETS

Insurance brokers suffer despite a rise in profits

SHARE PRICES falling on news of higher profits was the story to emerge from the insurance broking sector this week when the two largest independent groups turned in their half time figures.

Despite a 28 per cent advance in the FT All-Share index, the FT Insurance Index fell 1.5 per cent to 1,011.3, and a 21 per cent gain by Sedgwick to 575.4m, the figures were branded as below expectations.

Willis Faber's brokerage profits were up by 26 per cent. If that increase is adjusted for currency benefits and the first time contribution from an acquisition, then the underlying improvement comes out around 18 per cent. Excluding Fred S. James' from Sedgwick's mix, the group reported an increase in brokerage profits of 18 per cent. Its currency gains were less marked than at Willis and after stripping them out the group still comes out with a 15 per cent advance, more or less level pegging with the smaller group.

Those numbers do not really seem that disappointing. The truth is that some of the profit forecasts had got slightly overcooked and share prices had to come back. Perhaps the analysts failed to take account of some of the weaker factors that still overhang the sector from the days of softer markets even though now currencies are going the brokers' way and premiums are hardening.

For example, their in-house insurance companies are facing just the same sort of problems that have bedevilled profits in the composite sector. Losses have to be covered. Similarly had debt experience has shown some deterioration, which is another reflection on the type of business undertaken in the late 1970s and early 1980s when the brokers were falling over themselves to build up premium income.

And all the groups have commented on the rising costs of their own E & O insurance cover. A smaller company which recently reported, Derek Bryant, said that the cost of its cover had gone up by 300 per cent.

Yet if the 1985 results are not going to be as impressive as some had hoped, the basic message remains the same. Brokerage income is accelerating in the second half and that trend should continue. Assuming that the dollar does not get to the point where it is only worth 50p then the sector as a whole should be capable of earnings growth of 20 to 25 per cent over the next few years. If there is a progressive dividend policy to match earnings, it is hard to

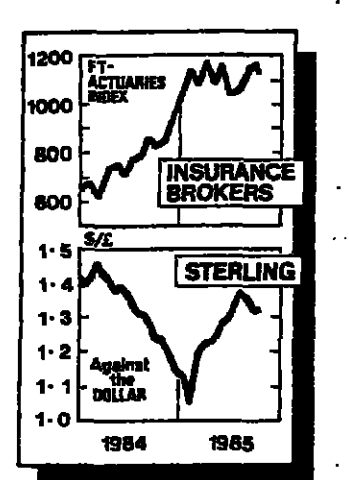
imagine the institutions forsaking the sector for long. BAT delivered a truly dismal set of interim figures which sent shock waves throughout the market this week. Pre-tax profits for the six months fell by a quarter from £584m to £449m, about £50m short of expectations. Currency movements have understandably

London

been very damaging on consolidation, accounting for £116m of the profits fall. But even allowing for that, BAT's profits were still 5 per cent lower.

The two basic problem areas were U.S. retailing and Eagle Star. The insurance group's profits fell from £70m to £18m while profits from the American stores dropped from £23m to £3m. The initial reaction by many in the market was to drag up doubts about the management's ability to cope with diversifications.

To an extent this seems a little unfair. The whole UK insurance sector has gone



through a very rough patch and Eagle cannot stand aside from the market. And while the halving of dollar profits from Gimbels, Kohl's and the West Coast chains is a very poor showing, results from the U.S. retailing scene generally have been down albeit not quite so dramatically as BAT's experience.

Forecasters have now been downgraded to £1.2m pre-tax for the year, against £1.4m in 1984, dropping the prospective earnings multiple to under 6x. Even that is not cheap enough for some of the group's doubters who suggest switching to Imperial.

BAT's figures reawakened concern that the interim results season is going to contain a fair share of disappointments and the drop in its price—45p

to 275p on the day—helped the market on its way to a 14 per cent fall for the week, as judged by the All-Share.

Thoughts of a cut in base rates are fading fast after the August money supply figures and even a Conservative Party Conference on the horizon may not prompt a half point cut now. Already the market is growing about the funding strains after December with the TSB new issue followed by Cable & Wireless, Wellcome and another call on Telecom.

While taken individually, each factor is not going to send equities spinning, together they add up to a market inclined to slip back rather than edge forward.

Unilever could be in pursuit of the unobtainable. This week the giant Anglo-Dutch group swung out with a \$1.5bn cash offer for Richardson-Vicks, perhaps better known here for its overpriced Vicks vapour rub and Oil of Ulay skin lotion. Yet the bid, worth £950m in sterling, is being passionately rejected by the American group's board which believes it can count on a large family holding to see off the British interloper.

In fact Richardson-Vicks is said on Wall Street to have one of the best arrays of "shark repellents" known to man. For British investors that means the group has put so many defences in place that it is virtually impossible for a predator to gain control.

Certainly the U.S. directors lost no time at all in announcing plans that will further thwart Unilever. High on the agenda is to buy up some 22 per cent of the existing equity. The Richardson-Vicks mean-time, which controls 32 per cent of the group through family trusts, company share schemes and executive holdings, has gone on record that it intends to increase substantially its holdings. On the face of it Unilever is simply throwing money away on expensive Wall Street bankers.

However, Unilever's advisers are not blind to the obstacles Richardson-Vicks place and it may just be that the far flung members of the family are not quite the tight-knit bunch they may appear.

Anyway the prize makes the effort worthwhile. If Unilever could win control it would immediately double the size of its personal products and toiletries division and add in some clear brand leaders. And perhaps best of all, the purchase would give a good foothold in the over-the-counter medicine and skin care markets—obvious areas of growth.

Terry Garrett

HIGHLIGHTS OF THE WEEK

	Price	Change	1985	1985	
	y/day	on week	High	Low	
FT Ordinary Index	1,011.3	-8.9	1,024.5	911.0	Uncertain interest rate outlook
FT Gold Mines Index	317.3	+2.1	338.9	280.1	South African political developments
Apricot Computers	78	-42	280	73	Board's profit warning
BAT Inds	275	-50	388	275	Acutely disappointing interim profits
BTR	363	+13	387	285	Half-year results
Barr and WAT A	120	+18	128	85	Kerry Fifth state/Int due next Tues
Bridon	103	-25	150	103	Poor int profits/hearish statement
Britoll	210	-30	296	187	Oil prices fears/Opex meeting Oct 3
Cadbury Schweppes	144	+3	176	133	Revived speculative demand
Consolidated Gld Fields	430	+20	582	400	Firm gold/prelims Tuesday
Douglas (Robert M.)	60	-12	62	47	More-than-doubled full-year profits
Home Charm	330	+27	386	260	Interim profits disappoint
Laing (John)	266	-11	288	197	Disappointing interim figures
Laird	189	+20	196	141	Better-than-expected interim results
ML Holdings	287	-26	355	260	Proposed £4m right issue
Maynards	415	+90	415	240	Bid from Ward White
Mellors	105	+22	128	128	Possible consortium offer
Sedgwick	575	-43	610	335	Disappointing interim results
Sirair	118	-13	140	108	Annual profits below expectations
Westland	68	+10	181	58	Hopes of £85m Indian contract

Suddenly, seeing is believing

THE REPORTING season of the insurance brokers is throwing up some curious results. While market conditions undoubtedly have improved, some of the USM's insurance brokers appear to be struggling a bit.

This is not the first time the fortunes of the large and small brokers have diverged—last year, when the big brokers were reporting mean increases in profits, some of the little ones were showing figures up by more than half.

The explanation of the earlier success of the USM brokers was twofold: any company that occupies a specialised niche in a large market can do well even when conditions overall are poor. Furthermore, as the bulk of revenue is in dollars, impressive profit growth in sterling is almost guaranteed when the dollar is rising.

Neither argument now looks quite so persuasive. Because the whole market has picked up, there is no overriding advantage to being a specialist; and with the dollar threatening to decline, a dollar revenue stream is beginning to look like a liability.

Now, it is the perceived quality of the broker that sorts out those that are doing well. Rising premium rates in the recent years. The pace of increase is likely to slacken.

Derek Bryant, whose first half profits were up by only 14 per cent, accompanied his figures with an unimpressive statement that has sent his shares down with a bump. The company is finding business much harder to place. Last year, Bryant said

it does not mean defeat: if they are well enough respected in their specialist areas, they may be able to place business at least as well as more weighty opposition.

In the next six months we will see how each of the USM brokers is going to shape up, says Vernon Partridge, insurance analyst at Laing & Crick.

The market, however, seems to have decided already. Derek Bryant, the first broker to join the USM, is on a price/earnings ratio of about 9 with the shares already in value over the past six months. Dewey Warren also has fallen from favour, and its shares at 220p are on a p/e of 13. By sharp contrast, Steel

Burrill Jones not only enjoys a rating of 23, as high as any of the main market brokers, but its shares have flown from an issue price of 110p last year to an all-time high of 430p.

Somewhere in the middle sits Howard Group, which joined the market in April this year, since when its shares have risen by about 50 per cent. Recent results from Dewey Warren and Derek Bryant were not encouraging. Dewey Warren followed a 63 per cent increase in profits last year by a 17 per cent rise in the first half of this year, warning that earnings have increased strongly in recent years. The pace of increase is likely to slacken.

Derek Bryant, whose first half profits were up by only 14 per cent, accompanied his figures with an unimpressive statement that has sent his shares down with a bump. The company is finding business much harder to place. Last year, Bryant said

successful U.S. food distributor, is thought to have been held back by the disruption caused by its expansion. Overall, a decline to 55p from last year's 567m is expected.

Other companies announcing their interim results next week include B. Matthews on Tuesday,

it was turning about 60 per cent of inquiries into orders. This year, if even 30 per cent of the inquiries that are pouring in could be turned into orders, it would be a very successful year.

In a fit of disarming honesty, Bryant has also warned shareholders that the premium pays on its own errors and omission policy has risen by 300 per cent and that, in the event of a claim, the company might have to bear a "substantial financial burden."

The rise in premiums, however, is not something peculiar to Bryant, but the warning of a potential drain on the company is clearly making shareholders a little uncomfortable.

Bryant says the company could stand to lose several hundred thousand pounds if faced with a claim related to fraud. "I believe our shareholders should know this, even though I can't see that type of loss ever occurring at Bryant," he says.

On Wednesday, Steel Burrill Jones will release its interim results, and the City is expecting it to make 55m in total this year after £3m last year. The company, formed in 1977 by a breakaway group of senior Sedgwick management, specialises in reinsurance in the London marine market.

Investors will have to wait until Christmas to see whether Steel meets its £2.2m forecast made at the time of the placing. In the meantime, the company's share price has been supported by shrewd moves in the currency markets. Howard is probably the best placed among the four to cope with a collapse in the dollar, as it has covered fully its dollar revenue both this year and next at an average rate of \$1.10.

Lucy Kellaway

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND DEALS

Company	Value of bid per share*	Market price**	Price before bid	Value of bid £m**	Bidder
Adams & Gibson	210p	285	235	5.58	ESG Int'l
Bell (Arthur)	276	272	192	365.27	Glaxo
Capital Gear Tst	85p	89	75	1.90	Howard Sees
Capital TV	58p	50p	50p	5.34	Crown Int'l Foods
Cartwright R.T.	171p	165	149	11.47	Newman Foods
Christie-Tyler	65	28	49	6.25	Hilldowns Hldgs
Cole Group	200	325	327	508.9	Burton Group
Debenhams	363	355	345	230.24	Utd Newspapers
Flect Hldgs	341p	363	345	16.84	HR Electric
Frederick Douglass	320p	315	215	19.93	Ward White
IDC Group	294p	288	186	20.12	Read Int'l
Maynards	411	415	335	20.12	Galley Tech Inds
Morgan Comms	135p	129	131	1.71	Vantona Virella
Noble & Lund	30p	30	23p	2.25	Brenner
Nottingham Hn	30p	30	23p	2.25	Messrs R. & D. Richardson
Philips Patents	55p	54	42p	6.94	Esperante Int SA
Regentcrest	27p	23	26	10.57	Entarys Oil
Resource Tech	52p	53	40	20.53	Automated Security
Saxon Oil	540p	542	10	10.26	Booker McConnell
Security Centre	129p	136	10	0.79	Messrs N. Wray & C. Matlock
Sharpe (Charles)	570p	535	585	21.48	Grain Group
Somportex	261p	87	27	8.34	Midland Bank
Synatronics	11p	10p	8	3.4	Bardon Hld
Tynderade Secs	32p	34	37	—	—
Vectis Stone Grp	60p	58p	58p	—	—

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on September 13 1985. †† At suspension. ‡‡ Loan stock. §§ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Apex Prop	Mar	582 (603)	5.6 (6.2)	2.0 (2.0)
Armstrong Bros	May	358 (364)	0.6 (0.7)	30.0 (32.5)
Chambers & Fergus	Jan	187 (196)	—	—
Don Bros Buist	May	4,560 (3,860)	41.9 (21.4)	6.0 (4.8)
Dunston Group	May	231 (27)	—	0.24 (1.78)
Douglas, R. M.	Mar	1,010 (455)	9 (1.2)	0.24 (1.78)
DPCE	June	2,910 (1,101)	14.2 (11.8)	3.0 (2.5)
Excelsior Jewell	Mar	500 (585)	4.1 (1.8)	3.8 (3.8)
Finlan Group	June	1,490 (1,540)	42.0 (38.0)	10.0 (9.0)
Franklin Jewell	May	1,700 (1,370)	19.4 (16.4)	13.0 (12.5)
Haynes Publishing	May	1,230 (1,030)	7.5 (6.1)	0.6 (—)
Mayhew Foods	May	3,040 (1,300)	7.9 (3.1)	—
Media Tech	May	1,810 (1,800)	14.7 (10.6)	8.0 (—)
Our Price	Mar	378 (1,500)	—	6.3 (6.8)
Seaford Jones	May	804 (663)	—	4.58 (4.36)
Sirair	June	9,530 (9,000)	12.6 (12.5)	4.12 (3.26)
Stewart Plastics	Apr	3,050 (2,810)	7.1 (6.9)	2.68 (2.32)
Telefusion	Apr	423 (2,790)	0.1 (0.7)	1.3 (1.96)
Tottenham Hots	May	687 (902)	0.7 (0.5)	0.5 (—)
Trade Prod Ser	Apr	767 (902)	9.2 (6.0)	3.6 (—)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Addison Page	June	1,380 (829)	—
AB Ports	June	4,000 (3,900)	3.25 (3.0)
Appleyard Group	June	868 (500)	—
Atlantic Comp	June	7,060 (5,250)	0.75 (0.75)
Aurora	June	4,550 (2,830)	0.3 (—)
Automotive Prod	June	3,300 (3,900)	1.0 (1.0)
BAT	June	449,000 (594,000)	4.75 (4.05)
Bedford, W.	June	371 (—)	1.5 (—)
Biddle Elms	June	332 (650)	2.4 (2.4)
Blackwood Hodge	June	2,190 (1,180)	—
Blockleys	June	1,020 (2,300)	10.0 (8.0)
Booker McConnell	June	17,640 (11,130)	4.25 (2.75)
Bowater	June	13,200 (12,400)	3.75 (3.3)
Breakmate	June	276 (196)	1.0 (—)
Bridon	June	7,700 (7,000)	1.5 (1.5)
British Vita	June	5,280 (5,230)	3.3 (3.3)
BTR	June	151,000 (115,000)	3.75 (2.88)
Burmah Oil	June	37,200 (27,800)	4.5 (3.5)
Canberra Ind	June	300 (—)	—
Connell Est Agnts	June	760 (810)	1.0 (1.0)
Costain	June	24,800 (17,240)	6.5 (6.0)
Croda Int'l	June	10,360 (8,520)	3.0 (3.0)
Crouch, Derek	June	1,310 (516)	1.79 (1.83)
Deasiter Bros	June	2,460 (2,120)	2.5 (2.16)
Dinkie Rect	June	10 (65)	0.2 (0.2)
Elys (Wid) Ind	June	32 (—)	—
Euro Ferries	June	5,500 (11,700)	1.1 (1.1)
Executives Clothes	June	140 (90)	—
Expamet Int'l	June	2,210 (1,750)	2.35 (2.0)
Fisher, James	June	3,330 (2,080)	1.6 (1.3)
Fitch & Co Des	June	737 (557)	2.0 (1.7)
Garnier South	June	1,530 (1,320)	3.35 (2.99)
Goal Petroleum	June	17,640 (11,130)	4.25 (2.75)
Hepworth Cer	June	13,540 (20,080)	2.9 (2.75)
Hay & Robertson	Nov	1 (4)	—
Hestair	July	1,240 (107/L)	1.5 (1.5)
Home Charm	June	5,630 (4,690)	1.2 (1.0)
Huntleigh Tech	June	304 (—)	—
Jaguar	June	63,000 (40,500)	7.75 (—)
Laing, John	June	11,200 (10,700)	2.4 (2.3)
Laird Group	June	13,110 (10,860)	2.4 (2.3)
Lord Park Hotels	June	582 (238)	—
Low & Bonar	May	6,060 (4,190)	3.0 (2.2)
Magnolia Group	June	481 (210)	0.75 (0.5)
Mennec	June	3,310 (1,950)	0.88 (0.73)
MCD Group	June	1,200 (845)	1.3 (1.0)
Nardin & Peacock	June	4,011 (3,800)	1.68 (1.58)
Pavilion Leds	Apr	3 (18/L)	—
Quilfield Imp	June	284 (186/L)	1.0 (—)
Pearson	June	41,770 (37,340)	4.25 (3.0)
Persimmon	June	1,080 (878)	0.75 (0.5)
Powell & Cuyler	June	850 (—)	—
Prudential	June	46,400 (35,900)	9.0 (7.5)
Quick, H. & J.	June	249 (401)	0.6 (0.6)
Reckitt & Colman	June	87,730 (49,730)	6.0 (5.8)
Samuel, H.	Aug	1,350 (1,040)	2.5 (2.3)
Savoy Hotel	June	4,730 (3,370)	—
Sedgwick Group	June	75,400 (62,500)	3.25 (3.0)
Sintra	June	717 (623)	0.75 (—)
Squirrel Horn	June	60/L (61/L)	—
Soter	June	420 (310)	4.2 (3.5)
TV Serv Int'l	June	325 (1,510)	1.0 (0.5)
Turner & Newall	June	11,000 (9,500)	1.35 (1.0)
Utd Biscuits	June	36,300 (34,500)	2.85 (2.7)
VG Instruments	June	4,370 (3,422)	0.7 (0.5)
Willis Faber	June	32,600 (25,520)	5.0 (3.5)

(Figures in parentheses are for the corresponding period.) * Dividends are shown net pence per share, except where otherwise indicated. † For 16 months. ‡ Loss.

RIGHTS ISSUES

ML Holdings—To raise £4.17m through a one for two rights issue at 235p per share.
Howard & Wyndham—To raise £734,000 through a seven for one rights issue at 5p.

SCRIP ISSUES

Franklin Group—One for one.
Don Brothers Buist—One for one.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

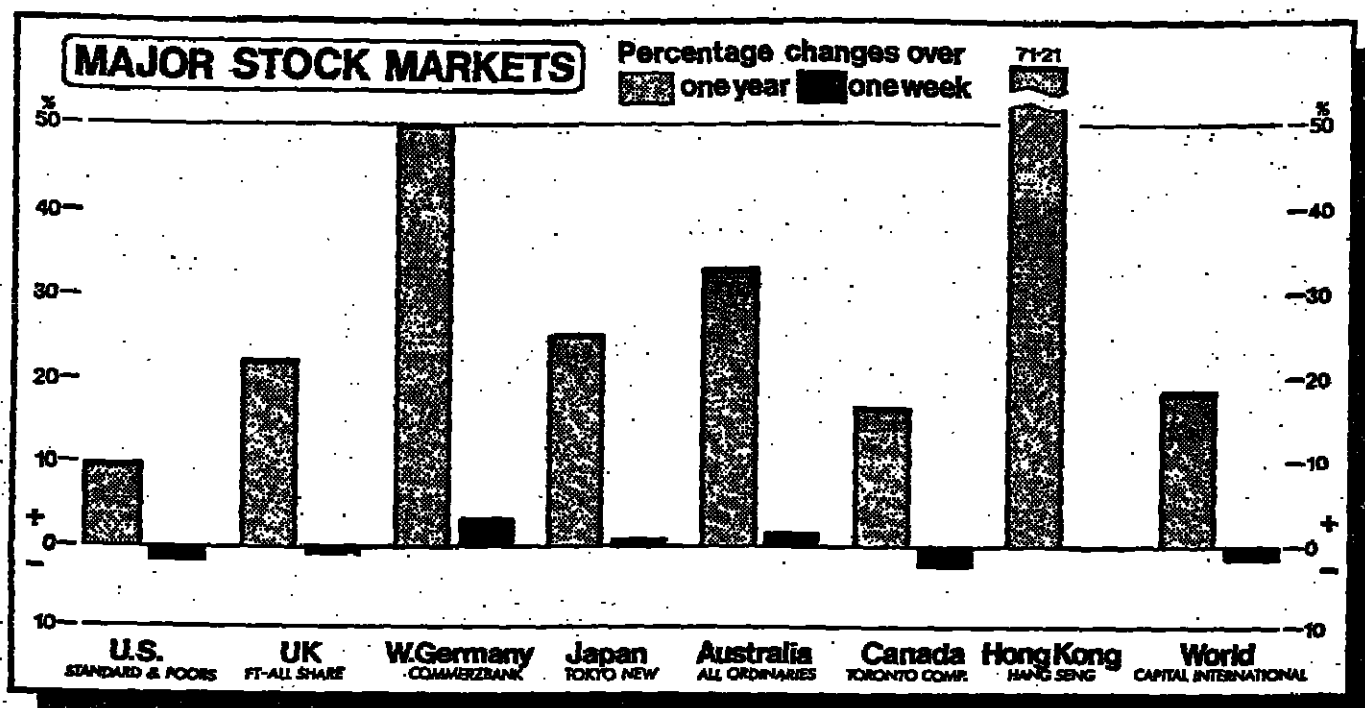
Kewill Systems—USM placing of 1.2m shares at 70p.
National Home Loan Corporation—Offer for subscription of 50p partly paid ordinary shares of 70p each issued at £1 and 50p units of £200 comprising of 100 shares and £100 nominal stock with £100 payable on application.

Telecom rings up the goods

BRITISH TELECOM'S 1.7m shareholders did not, thankfully, all try to attend the first annual meeting recently. But even those who stayed away will have been happy with the first quarter's results.

So on Thursday the analysts are expecting some £430m pre-tax—£20m ahead of the last quarter and £11m ahead of the

MARKETS



Rumours heighten takeover fever

AFTER SIX weeks of suffering from trading volumes wallowing in the 70s to 80s a day range, the U.S. stock market at last began to attract some of the heavy hitters again this week. But the return of the institutions in some numbers has not brought universal joy. While dealers have been collecting commissions on trades hovering well over the 100-a-day mark—for the first time since August 6—they have also spent much of the week watching the Dow Jones Industrial Average sink back towards the 1,300 level.

One factor that appears to have hit the market hard this week is the relatively new but increasingly visible phenomenon of arbitrage between the stock market and futures and options. On three days this week, dealers claimed that stocks on the cash market in New York were marked down because they stood at a premium to the September and December futures contracts on the S & P 500 index traded on the Chicago Mercantile Exchange; on Thursday, institutions buying the futures contract and selling the underlying stocks contributed to an exceptionally sharp fall in the final half-hour of trading.

Programmed selling by the institutions—an automatic computerised process for those that are set up to take advantage of arbitrage opportunities—is something that the markets, and the lonely individual investor, have to live with these days. The fact that this trading has

been so prevalent on the down side this week is a symptom of the bout of pessimism that has overtaken the equity market. Wall Street is talking yet again about a retreat to at least the 1890 level on the Dow Jones Industrial Average, whatever the economic news over the next few weeks. Even if the recent, somewhat optimistic statistics from Washington have given an accurate pointer to present trends, many analysts looking at their dividend discount models are not too optimistic that corporate profits will be able to sustain the dividend streams they were forecasting a few months ago.

The market also seems to have been responding to the sudden lurch upward in interest rates at the end of last week. Yields on equities in the Industrial Average were pushed up by about 10 basis points to around 4.70 per cent by Thursday of this week, a rise that almost exactly corresponded to the jump in rates in the credit markets where the long bond climbed back to the 10.70 per cent range and three-month Treasury bills rose to between 7.20 and 2.25 per cent.

Yet, while the majority of investors decided that stocks were overvalued this week, the same cannot be said for the takeover aficionados. Inevitably, in an atmosphere where many Wall Street tacticians are working overtime to spot the next takeover candidate,

the market continued to be swept by unfounded rumours. But a remarkable number of the speculative stories have been on target recently, as company after company has either become the object of a bid or had to strengthen its defences—often by buying-in shares that enriched alert shareholders.

To give some idea of the extent of this activity, all of

Wall Street

the following companies have this week been subjected to takeover moves or actual bids: Richardson-Vicks, the Vicks VapoRub company, has been approached by Unilever; SCM, the New York conglomerate, is fighting off an unwanted bid from Hanson Trust of the UK; General Foods, the large packaged foods manufacturer, valued at almost \$400, was said to have come back into the sights of Philip Morris, the tobacco group; the Rorer pharmaceutical group rose \$14 to \$404 on speculation that Beecham of the UK was interested in it; MCA, the owner of Universal Pictures, has jumped over \$8 to \$72 because RCA is said to be planning a merger; and Northwest Airlines has again flown into an air pocket of takeover talk.

Commenting on this speculative phenomenon, Oppenheimer

made the point this week that while stocks may not be on the bargain counter for institutional investors, for the entrepreneur focusing on cash flow and the replacement values of assets, publicly-owned companies still provide compellingly attractive opportunities. "The valuations the market is prepared to place on a stock looking at future dividends may be very different from that placed on the basis of its undedicated pre-tax cash flow and the valuations that can be realised from the asset base."

This is a point onto which Hanson Trust clearly latched in the U.S. long ago, when it began its takeover binge by borrowing against the asset base of its targets well before leveraged bids became part of the familiar Wall Street landscape. Hanson has since quietly refined the technique on larger and larger victims without involving itself in a really tough battle until the present one over SCM.

This contest is now struggling through the courts; but at SCM's latest offer of \$74 a share, giving an exit price-earnings ratio of around 17 on last year's earnings, the company is looking fairly fully valued.

MONDAY 1339.27 + 1.58
TUESDAY 1333.45 - 5.82
WEDNESDAY 1319.44 - 14.10
THURSDAY 1312.39 - 7.05

Terry Dodsworth

THE STOCKHOLM bourse tentatively began its annual autumn upswing early this month but has reversed itself nervously in anticipation of tomorrow's general election, which pits the ruling Social Democrats against a more free market-oriented non-socialist opposition.

Major concerns include the worsening economy and deteriorating competitiveness of many Swedish exporters, and the widely different remedies offered by the opposing camps to deal with these severe problems.

Share prices tumbled when a confidential and highly critical International Monetary Fund report on the Swedish economy, leaked to the Press last month, spoke of "unsatisfactory performance in cost and price development."

For the whole of August, the Veckans Affärer index dropped by two points to 468.6 as hopes for lower interest rates in the immediate future receded.

But half year corporate results were fundamentally satisfactory and prices relatively low. A brief return to institutional investors set in train a ten-day mini-rally in which turnover climbed and values rose by 5 points through the start of the week.

Engineering, mining and metals shares were the main beneficiaries. But the underlying uncertainty about the

Election jitters

economy remains strong. Investors took quick profits and decided to sit it out until after September 15.

The market now stands at only two points above its level at the start of the year. This puts Stockholm's performance firmly at the bottom end of the world's major exchanges.

In one dramatic shift, Skandia, the insurance group soon to float its international operations saw its stock jerked down by some 12 per cent following

Stockholm

the announcement of expected large losses this year.

Several major listings including Alfa Laval, Asea and Volvo have fared poorly this year, although brokers say that there are still opportunities particularly in those companies late in the business cycle.

Reports last week from both Svenska Handelsbanken and Swedbank warned of an "inevitable slide" towards a further devaluation without strong measures to improve industrial competitiveness.

A huge budget deficit and heavy foreign borrowing have

fuelled an inflation rate of some 7 per cent which ranks among the highest of Sweden's major trading partners.

These concerns have apparently not yet filtered out among foreign investors who—despite a recent dampening of interest—had enough faith in some Stockholm listings to produce a net export of shares worth SKr 3.7bn at the end of July, nearly double the rate for the whole of 1984.

The opposition has promised some hefty cuts in the Budget if elected. It is recognised, however, that it's ability to agree internally on how to carry out its pledge is a problem.

But it is clear, brokers say, that tax relief on shares can be counted among the expected benefits of a non-socialist victory.

In the country with the highest tax rates in the Western world this could have a significant impact.

Among other things, it could stimulate demand among small savers who have traditionally played an important role on the Stockholm market but who suffered more from Socialist tax policies than the institutions and have sold out in large numbers in the past year.

The Opposition has also

vowed to rid Sweden of the controversial "wage-earner fund," a system of union-held shareholdings financed by a special tax on corporate profits.

Although these have had a relatively limited impact on the exchange so far, there have been signals that the powerful trade unions will call for a further expansion.

Ironically, however, the funds have played a certain role in bolstering demand for shares in an otherwise weak market, and the Opposition will have to be cautious in the way it goes about dismantling the system.

On the other side of the political coin, however, is the serious difficulty a non-Socialist government would face in persuading the trade unions, which have more than the usually strong links with the Social Democratic Party in Sweden, to hold the line on pay increases.

However, the Socialists have refused to discuss major tax cuts or a budget retrenchment to help stem the economic slide. Overall, a non-Socialist victory is expected to balance out, in favour of shareholders. A recent Handelsbanken analysis says share values can be expected to fall by as much as 3 per cent from current levels by year's end if the Socialists win the election. A somewhat smaller rise is forecast if the Opposition takes power.

David Brown

Worlds of difference

"So with all the uncertainty about future interest rates, currency changes, and a poor outlook for the domestic industrial interests, Gencor has decided to play safe and only maintain its interim dividend on a higher capital?" I murmur.

"Right," said the mole. Johannesburg Consolidated Investment ("Johnnies") is another company living in one

Mining

world of income boosted by sales of U.S.-priced metals, notably platinum and gold, and another of darkening clouds over industrial interests which include Toyota vehicle manufacture and brewing.

Gordon Waddell, the chairman of "Johnnies," warned this week that the deterioration in South Africa's political and economic situation means that industrial profits "are likely to worsen significantly in the immediate future."

Still, the

prosperous mining side might produce a further rise in overall earnings for the year to next June.

In the case of London's Consolidated Gold Fields, the exchange rate alchemy that is boosting rand profits of the group's South African gold mines is having the reverse effect when the money is brought back to London and changed into sterling.

Other interests should be doing well, but the market is not looking for any great change in overall earnings for the year to June 30. Results are to be announced on Tuesday.

These other interests include a 26 per cent stake in the U.S. Newmont Mining, which was acquired for an average price of about \$57 per share. The present price is well below this, but prices now are not every thing: Newmont is a good investment.

Its attractions have been enhanced by this week's news of an important exploration success in north-eastern Nevada, about three miles from the company's major Carlin open-pit gold mine. The new find so far

is estimated at about 50m short tonnes of ore, containing about 5m ounces of gold.

The full extent of the deposit has not yet been delineated, but the tonnage so far outlined raises Newmont's reserves in the Carlin area to 236m tonnes containing 17m oz of gold.

Mine production is rising and next year Newmont's total, including the share of the Australian Teferi mine, will amount to about 500,000 oz, or over 15 tonnes, double the 1984 total. That should add up to a lot of profit.

Also expanding gold output is Australia's Western Mining, which has lifted earnings for the year to June 18 by 34 per cent to A\$40.4m (£20.5m). The company received a better U.S. dollar price for its nickel and, on top, derived an extra benefit to revenue of the fall in the value of the Australian dollar.

That fall offset the effects of lower U.S. dollar price for the gold. Bullion prices in Australian dollars are higher now and if, as seems likely, they are maintained along with those of nickel, Western Mining can look forward to further rise in earnings during the present year.

Kenneth Marston

If you're about to invest in a pension plan make sure it's the best on the market.

ALLIED DUNBAR
Managed Fund
\$4,177

NPI
with profits
\$4,221

LEGAL AND GENERAL
Managed Fund
\$4,382

EQUITABLE
with profits
\$4,412

SCOTTISH MUTUAL
with profits
\$4,824

TARGET
Managed Fund
\$6,771

Pension Plan Results Value of Fund over 5 years assuming 5 annual premiums of \$500 each

Amount Invested (allowing for tax relief at 30%) Source: Money Magazine - February 1985

"Target's head and shoulders above all rivals in the pension field coming, once again, top of the performance league table."

The Times - Saturday 26th January 1985

"There is no doubt that investors who had the foresight or luck to put money in the Target Managed Fund deserve a large dose of self-congratulation."

Executive Pension 1984 (Published by The Financial Times)

"One Company, Target Life, can actually boast an investment record that is so superior that it can afford to pay twice the pension of some of the others."

Target stole a march on its rivals, because the Managed Fund holds investments directly rather than putting money into other unit-linked funds within the group."

The Daily Telegraph - Saturday 27th March 1984

"The top cash fund for retirement at age 65 comes from Target Life's Managed Fund with a spectacularly good figure. This is clearly a fine result since the same fund swept the honours board in our October 1982 survey."

Money Management - June 1984

"Indeed the best performing contract in the survey was linked to Target's Managed Fund."

The Daily Telegraph - Saturday 31st December 1983

If you're self-employed or the director of a private company, you'll know all about the tax advantages of investing in a pension plan. Your biggest problem will be selecting the best from the rest.

Obviously, the most important factor will be the size of your pension fund when you retire.

All too often, this decision is taken as a result of comparing projected growth figures, whereas the only realistic basis for comparison is achieved growth.

The table above compares the actual results of an investment in the Target Personal Pension Plan - linked to the Target Managed Pension Fund - with three leading with profits policies and two other unit-linked plans invested in managed funds.

What it doesn't show, however, is that the Target plan has out-performed all other personal pension plans over the last five years.

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*Subject to level of premium and acceptable security.

And, with Target, after the first two years you're not committed to keeping up a regular payment. You can vary your level of investment to suit your personal circumstances. Except, of course, with a growth record like ours, we think you'll want to invest more rather than less.

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Age _____ Occupation _____
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Send to: Dept MF Target Life Assurance Co. Ltd, Freepost, Aylesbury, Bucks HP19 3YA. Tel: Aylesbury (0298) 5941.

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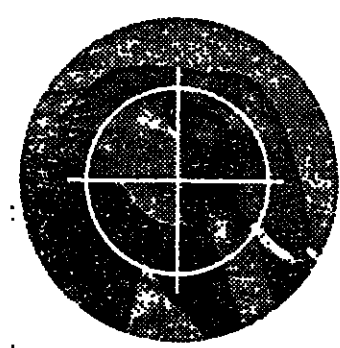
Address: _____

Business Tel: _____ Home Tel: _____

Please send the completed coupon to The Royal Bank of Scotland plc, Premium Accounts, FREEPOST, 24 Lombard Street, London EC3N 3DR (No stamp required)

Elephants face the firing squad

Butchered for its ivory, slaughtered for its meat, the elephant is now a threatened species. Cruel and ruthless hunters are using fearsome, automatic rifles with the single aim of commercial gain.



The World Wildlife Fund desperately needs your support in its efforts to prevent trade in endangered species. Trade in skins, ivory, even live animals, has brought many species to the verge of extinction. It's not just the elephant—over 1,000 different kinds of animals are under threat right now. Among them are the rhino, the leopard and the gorilla.

Nor is the threat confined to distant lands. Extinction faces also many forms

of British wildlife. The otter, red squirrel, osprey, barn owl and red kite are all becoming as rare a sight as tigers.

Please help us to save the elephant and other threatened species.

One of the most important ways of supporting our work is to remember the World Wildlife Fund—UK in your will—or send a gift of money. Better still—do both. Consult your solicitor or write for details to:

World Wildlife Fund—UK
Dept. FT23
11-13 Oakford Road
Godalming
Surrey GU7 1QU

If you tell us you're mentioned the World Wildlife Fund—UK in your will we'll see that your generosity is suitably acknowledged, and we keep you informed about the progress of our life-saving work.

WWF UK

Registered charity No. 201707



THE MIGHTY Pru is stepping up its drive to become a major force in unit trusts. Following its somewhat belated entry into the unit trust market in May with two general funds sold direct by the Prudential sales force, primarily to first-time buyers of unit trusts, the company is now extending its range.

It is launching three international funds, covering Europe, Japan and North America, aimed to appeal to "seasoned" unit trust holders. These specialist funds will be marketed directly through "off-the-page" advertising and sold exclusively through brokers and intermediaries. They will be offered at a fixed price of 50p a unit (with a minimum investment of £1,000 per trust) for a three-week period ending October 4.

At the same time the Prudential is adding a third (international growth) trust to the funds being sold by its specialist sales force direct to the public; and introducing a regular savings scheme for investing in the three trusts now being offered.

The company says that the two funds officially launched in May have already attracted nearly £50m with an estimated 30 per cent of the money coming from first-time buyers.

The move into specialist funds, via intermediaries, is part of the group's strategy to go into new markets.

THE SALISBURY-based UNITED Kingdom Provident this week became the latest of the traditional life companies planning to get into the unit-trust market.

Although the official launch date is November 1, the company's advertising campaign starts in earnest this weekend. It admits that the range of products and funds is not fundamentally different from what is already on the market. However, it claims that it has looked at the products of other companies and combined the best features of each into new plans—following the principle that copying from one source is plagiarism, copying from several is research.

At the same time the company is relying on its with-profit bonus record—in recent years it has been consistently in the top ten—to highlight its investment expertise.

The funds for both the life and pensions plans are UK equities UK Fixed Interest, North America, Pacific Basin, Property, Deposit Managed. Investors also have the opportunity of switching between these funds and the with-profit fund.

UKP's investment manager expects the initial spread in the managed fund to be 60 per cent in UK equities, 20 per cent in UK fixed interest, 15 per cent overseas, and only 5 per cent in property.

Bull market in Germany

YOU MIGHT have thought that there was a unit trust designed for every conceivable investment whim. But while minor markets such as Australia are covered by more than 15 different funds, Germany, the fifth largest stock market in the world, has until now been untapped.

This week GT launched the first German Unit Trust. However, it seems that fund managers move in packs. In the next two weeks Brown Shipley will launch the second.

It was no oversight that left Germany neglected for so long. Throughout the 1960s and 1970s the market stagnated, as companies raised money through the banks rather than on the stock market. However, in the last year or so the market has been rediscovered, both as a source of funds—last year more new money was raised than in the 20 preceding years—and as a home for foreign money. Foreigners have already poured DM 4.4bn into the market this year, compared to DM 600m last year and DM 250m in 1983.

The result has been the strongest bull market since the late 1950s, and in the first half of this year the market rose by some 30 per cent.

May not the unit trust move be too late in that case? On the contrary, argues GT, which considers that the market is still cheap by international standards. West Germany, it is argued, is a paragon of political stability, has a robust economy, is ruled with iron financial discipline, and deserves to be on a higher price-earnings multiple than 11, which is about the same as UK and U.S. stock markets.

The units of the GT Germany Fund are on offer until October 4, and the minimum investment is £500. There is an initial charge of 5.26 per cent included in the price of the units, and an annual charge of 1 per cent, which is allowed for in the quoted yield. At the launch price, the estimated gross current yield is 1 per cent.

Lucy Kellaway

taking up additional payment protection.

Under a fixed sum plan you can borrow £500 to £5,000 over one to ten years depending on the amount. Under the budget plan you decide how much you can afford to repay each month. This is then multiplied 30 times to establish your loan limit. A £30 monthly payment, for instance, would provide a loan limit of £900. Under this plan you can either withdraw the full amount in one lump sum or take an initial amount of £300, taking the rest in stages at £100 a time.

IN A BID to overcome the high-risk reputation of futures trading, a new fund to be launched on October 1 will guarantee that the investor's original capital is returned intact after five years, whatever happens. The Mint Guaranteed Fund is backed by E. N. & F. Man, the London commodity broking company which celebrated its 200th anniversary two years ago.

The guaranteed return of original capital is achieved by investing a proportion (around 60 per cent) of the money in U.S. Treasury Bonds, which, when they mature in five years, will provide the equivalent of 100 per cent of the capital. The remainder of the capital will be used to deal (on margin) in the futures markets.

After the setbacks by many futures funds during the past few years, with some being "wiped out" completely, the guarantee of a loss on the original capital, if the holding is retained for five years, is obviously an attraction although a currency risk remains if the value of the dollar declines.

However, investors will also be interested in the likely return to replace the lost interest. There is no guarantee here, of course, but Dr Peter Matthews, who will manage the fund, says that it is "95 per cent" certain that the capital will at least triple during the next five years.

Finance and the Family is edited by John Edwards

Pensions proposals

A letter to Mr. Fowler

IN JUNE, Mr Norman Fowler, the Social Services Secretary, unveiled the Government's plans for a massive reorganisation of the social security system. The central plank where pensions were concerned was the ending of the State Earnings-Related Pension Scheme (SERPS) and its replacement by a system of compulsory com-

pany pension schemes. Employees would have the right to opt out of their employer's scheme and make their personal pension provision through an approved investment institution.

The minimum contribution to the compulsory company scheme and personal pensions would be 4

per cent of earnings, with the employer paying at least 2 per cent.

Married employees would be required to take out protection for their spouses, either in pension or lump-sum payment form.

Comments on the proposals were invited before Monday September 16. Here is one contribution.

Dear Minister,

Over the next few days you will be required to plough through a mass of comments on your plans for the most radical revision of the social security system since Beveridge, 40 years ago.

Doubtless you will receive conflicting evidence from experts and pseudo-experts in the pensions, investment and industrial relations field.

Less forthcoming will be responses from the public, despite your efforts to bring the proposals to their attention. Comment here is made on your proposals from their viewpoint.

The most disturbing feature is that these proposals bring to an end the political consensus on pensions since the introduction of SERPS. It may have been a fragile, uneasy agreement. For the public, though, it meant stability in pension provision for the first time in decades.

Your proposals signal a return to pensions as a game of political football, with changes in the system made on each change of Government.

The function of the proposals is to ensure adequate income during retirement at a price that can be afforded.

The absence of any figures in your proposals, except some misleading ones on the cost of SERPS in fifty years' time, makes assessment of your proposals difficult. However, we are now discussing the fixing of pensions for our children which will be paid for out of our grandchildren's taxes—a difficult task if we are not to be cursed by our children for establishing pensions too low, or by our grandchildren for saddling them with contributions too high.

However, various organisations, some of which can be regarded as neutral or even sympathetic to your cause, have produced figures that are remarkably similar. They show that, so far as our children are concerned, the personal pension plan on the basis of a 4 per cent contribution will produce on average, seriously inadequate pensions.

Since the new schemes are on a money purchase basis, some investors with good (or lucky) investment managers will do well. Others, however, could find themselves falling behind in providing pensions, especially under conditions of high inflation.

A higher minimum contribution and a guarantee of an adequate supply of index-linked gilts would ensure that an individual could provide a pension at the same level and with the same inflation guarantees as SERPS. As far as our grandchildren are concerned, the cost figures of SERPS show that while the burden will increase it will not be insupportable.

The cost burden of SERPS can be reduced by modifying the scheme. This course of action, for somewhat puzzling reasons, you have rejected. The impression is that you have not sufficiently considered introducing personal pensions as a third tier on top of SERPS and company pensions.



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The cost burden of SERPS can be reduced by modifying the scheme. This course of action, for somewhat puzzling reasons, you have rejected. The impression is that you have not sufficiently considered introducing personal pensions as a third tier on top of SERPS and company pensions.

If you proceed with your proposals you will be aware that you face overwhelming administrative problems. Individual employees need answers to several questions before passing judgment on the proposed new system.

Tax Relief—The assumption must be that contributions will be paid net of tax—at least, net of basic rate tax—with the investing institutions reclaiming tax.

Although this is the concern of your colleague, the Chancellor of the Exchequer, you must use your influence to prevent contributions being paid gross, with individuals themselves reclaiming tax—the system applied in self-employed and other pensions under Section 226 of the 1970 Income and Corporation Taxes Act.

Simplicity—So far, submissions from experts point to a complex system that few will understand. Your proposals may underpin the jobs of expert consultants for many years, but carry a risk of baffling the layman.

Investor Protection—This is the most important gap in your proposals. Freedom of choice can result in freedom to be exploited by unscrupulous salespersons, unless there are adequate safeguards.

Although this is the direct concern of your colleague, the

Secretary of State for Trade and Industry, you must ensure protection in three areas.

● **At the point of sale.** Those who market personal pensions must be both honest and competent—a rare combination. Information given must be such that an employee can make relevant comparisons between personal pensions and an employer's final salary scheme. You acknowledged this point in your proposals, but so far the pensions industry has not come up with any realistic proposals to ensure this.

● **Choice of investment and investment institution.** The system is, or should be, designed to ensure that adequate pensions are provided, rather than presenting an opportunity to risk all for the sake of his rewards. There must be controls governing the type of securities in which personal pension plans can be invested, as well as controls over the institutions marketing the products.

● **Value for money.** The personal pension system should not be designed to enable life salesmen, financial planners and other advisers to wax rich on what could be a captive market. The employee should not have to see a high proportion of contributions going in expenses.

Finally, there is the special problem of the employee whose contributions would be comparatively low. It is estimated that nearly one million employees will be contributing on average less than £1 a week. You must assure that these contributors do not suffer on any of the points mentioned. The danger is not so much that they will be exploited but that they will be ignored when they come to seek advice and pension plans.

You will see other submissions on these points. These are some of the essentials to be solved if your system is to stand a chance of working.

Eric Short



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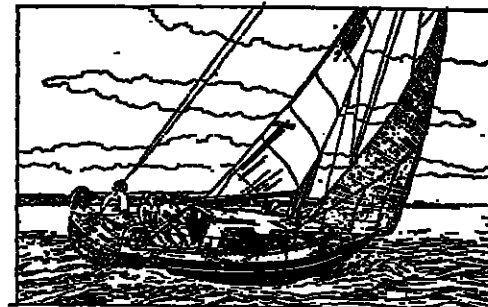
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FINANCE & THE FAMILY

Money centres

Shareholding made easier

THE OPENING in London this week of two "share shops" with widely different variations, in Debenhams and the Finchley Road, provoked a deluge of publicity.

It isn't difficult to see why. The shops could hardly be a more potent symbol of the Thatcherite dream of a "people's capitalism." Mr. Edgar Palmountain, chairman of the Wider Share Ownership Council, no doubt spoke for many when he hoped that Quilter Goodison's joint venture with Debenhams would "bring us closer to the millenium when everyone who reasonably can will own shares."

It has, of course, been given a helping hand by the recent privatisation issues and the growth of company share option schemes. But as Sir Nicholas Goodison, chairman of the Stock Exchange and Quilter, pointed out, we are still a long way behind the mother and father of people's capitalism—the U.S.

"In the U.S. they have a much more sophisticated investing public and many of the large cities are financial centres in their own right. Over here people put their spare cash into pools, horses or houses."

Mr. Chandler Singh, chairman of Ravensdale Securities, the licensed dealer which runs the other share shop in Finchley Road, puts it down to class attitudes. He looks to Hong Kong for a share ownership model.

But after a week in which much has been said about "demystifying" the stock exchange—what do the demystifiers themselves have to offer? And leaving aside the broader question of why invest in equities at all, how do the two services compare?

Quilter Goodison's money centre on the third floor of Debenhams Oxford Street is certainly a great deal more than a share shop. It is an extension of the stockbroker's company's main operation in a more accessible location, and as such provides clients/shoppers with the whole range of financial/tax/investment advice.

This advice is free and "dis-

interested" in that the stockbroker professionals will advise against share buying if national savings, for example, fits better with an individual's requirements.

But if a share transaction is made, the cost, particularly for the very small investor, might be prohibitive. Quilter is charging the standard 1.65 per cent brokerage commission for buying or selling shares, however with a minimum charge of £13 (except for BT and Britoil which are £7.50) that commission rises to 7.5 per cent if you are buying only £200 worth of shares. It is not in fact until you reach the £300 transaction that you actually pay only the 1.65 per cent minimum.

However, Quilter's main argument would be that the consumer is safer with a company bound by the detailed Stock Exchange rules on share trading and staffed by trained personnel.

What are the relevant rules? Because the broker cannot "make a market," and is simply acting as an agent, it has no interest in pushing any particular share. It cannot be in the position of having a glut of shares in a particular company that it wants to off-load.

It is also bound by the "best execution rule" by which the brokers are meant to check with several different jobbers to discover the best price for their client. In the new Quilter money centre you can hear the prices being quoted on a special radio link.

Mr. Tony Richards, the Quilter partner responsible for the money centre, stresses the transparency of the whole operation. The client knows exactly what price the jobber is quoting and what the broker is getting. In the event of a recognised broker going bust the investor will also have access to the Stock Exchange compensation fund.

Mr. Singh, who opened his share shop at 108-110 Finchley Road is a licensed securities dealer and not a stock broker.

That means it is bound by Department of Trade and Industry rules rather than stock exchange rules. But Mr. Singh



Quilter Goodison's Money Centre in Debenhams

strongly refutes the widely held belief that in many particulars he is in effect not regulated at all.

"The punishment for breaking the stock exchange club rules is getting kicked out of the club—breaking DTT regulations you can get seven years in prison. There is no doubt we are controlled."

The "over the counter" share trading of several licensed security dealers has been a source of some anxiety for years—principally because customers have sometimes found themselves unable to sell a share, so narrow is its base. There are also reports of unwanted high pressure share salesmanship—also involving shares that the salesman's company has brought to the market.

Mr. Singh, however, insists that there will be no OTC trading in the Finchley Road. "We will be dealing only in fully listed companies."

But will there not still be a conflict of interest for Singh's City Investment Centres in the ten shares (BT, Britoil, GEC, etc.) in which it is "making a market" (ie acting as a jobber)? If it has too many British Aerospace shares on its books, for example, will it not want to persuade buyers to go for them?

"Absolutely not," says Mr. Singh. "We will not be making any recommendations at all. But we will have much of the analysts' material available free."

The main advantage of Finchley Road is that it charges

no commission both on the companies it is making a market in (which Mr. Singh hopes will eventually rise to about 100) and the rest.

But City Investment Centres is not a charity. It will be making money like a traditional jobber from the "spread" between the buying and selling price (or vice-versa). Last Wednesday evening, for example, BT was quoted at 196p buy 200p sell. Boots was 194 to 198 and BritAero 365 to 370. Although the spread may be nearly double the stock exchange quote in many cases, Finchley Road could still work out cheaper at least for the very small investor doing a one-off sale. (It will not always be clear, however, how much is going to the dealer.)

Another small advantage of Singh's shop is that you can walk away with money in your pocket if you are selling—whereas with Quilter you may have to wait three weeks before all the accounts are settled and you get your cheque.

A rather bigger disadvantage however arises when the market is falling. Fearful of being left with increasingly worthless stock the price at a licensed security dealer is likely to fall far quicker.

In the past week, both Quilter and City Investment Centres have been overflowing with a curious public—whether both will prosper when the novelty dies off remains to be seen.

David Goodhart

Over-the-counter dealers

Scope for the small investor

"BUY OR sell Britoil free of commission," proclaims the advertisement. It sounds appealing enough, but should the private investor allow himself to be drawn into dealing on the over-the-counter share market offered in this way?

By offering better terms and longer opening hours than traditional stock exchange brokers for share issues such as Britoil or British Telecom, the licensed dealers who form the over-the-counter market, or OTC, have won themselves a large clientele. One dealer still has a whole team dealing full time on BT, nine months after the first issue, while another firm reports that it is receiving 80 telephone calls a day about Britoil from people it had never heard of previously.

But these activities in major stocks are only a sideline to the OTC's main business—providing a market for the smaller stock exchange and its own second-tier market, the Unlisted Securities Market, to enable smaller companies to raise money at a reasonable cost.

Not all OTC markets are the same. Granville & Co, for instance, operates on a "matched bargain" basis, pairing buyers with sellers, and taking a commission on the sale. This can mean that the prices Granville quotes in newspapers bear little relation to the price you can achieve for your shares, and it may be difficult to find a buyer at all.

Other dealers go onto this matched bargain basis with some shares that are in difficulties, but aim for the most part to operate a fully liquid

market. This means that they act like stock exchange jobbers, holding lines of shares on their own account and making their profits on the gap between buying and selling prices rather than on commission. Even with this kind of market maker, however, the price you receive can differ widely from what is quoted.

For many licensed dealers, the BT and Britoil bonanza represented heaven-sent chances to build their mailing lists for selling shares in smaller companies traded only on the OTC. These activities hold many pitfalls for the small investor, for whom BT may have been their first experience of equity investment.

OTC traded companies are by their nature speculative investments. They are smaller than stock exchange quoted companies, and often have shorter trading records. Some share prices climb through the roof, but a fair proportion collapse suddenly and completely.

While dealers are willing to sell shares in a company, it is all too often difficult to sell back at a reasonable price. Trading in the shares is often sparser than on the full stock exchange, so when you want to sell, the dealer may find it hard to locate a buyer and will mark down the price accordingly.

Many dealers are also reluctant to buy back shares—partly because they themselves issued the shares and do not want to allow the price to drop, and partly because some firms operate a system of netting-out commission, whereby an individual salesman suffers in his

own pay packet if he is unable to dissuade a client from selling back the shares he has bought.

Paperwork can often be slow, and readers report that it can take months to receive share certificates or payment for shares that have been sold. Mind you, the public has been known to be just as beastly to the dealers: some companies have lost thousands of pounds on people who ring up to buy shares and then, when the price falls, disappear without paying.

The OTC market is at the moment virtually uncontrolled, and investors could be at risk if a dealer were to collapse. Two rival organisations—the National Association of Securities Dealers and Investment Managers (Nasdim) and the British Institute of Dealers in Securities (Bids)—are competing for the honour of regulating the OTC when the Government's proposed law on financial services is introduced, but neither has yet created a compensation fund to protect investors against the collapse of a market maker.

There are also some good reasons why a young company should prefer the OTC to a listing on the stock exchange or the USM. In the first place, an OTC listing may be much cheaper, although chartered accountants Spicer & Pegler say that in practice the savings are minimal.

In addition, a company that has raised money under the Business Expansion Scheme may have its shares traded on the OTC without losing tax relief for investors, where a full listing will disqualify it from the BES.

Moreover, some companies doing business with the U.S. find that to have their shares traded on the USM carries an unwanted connotation of financial unsoundness across the Atlantic—while the name OTC is recognised by the Americans.

Investors may, therefore, find that there are some opportunities on the OTC—but it must be treated with extreme caution.

"OTC shares are very speculative, because they are small and emerging companies," says Tom Wilmut, chairman and managing director of Harvard Securities, the largest dealer with 50,000 clients carrying out about 2,500 bargains a week. "You should spread your risk between a minimum of 10 companies. If you put all your eggs into one basket you are going to get wiped out."

Tony Prior, who runs another large dealer, Prior Harwin, offers this advice:

- Waste some phone calls. It pays to check around as many dealers as possible to see who is quoting the best price.
- If you have a bad experience with receiving payment or documentation late, do not use that dealer again.
- Never go in too deep. You do not want to end up with more shares in a company than the market can handle, because you may find it impossible to deal in larger blocks of shares than normal.
- Never be put off selling your shares. Most dealers are retailers, and not keen on buying back, but you should not let them change your mind.

George Graham

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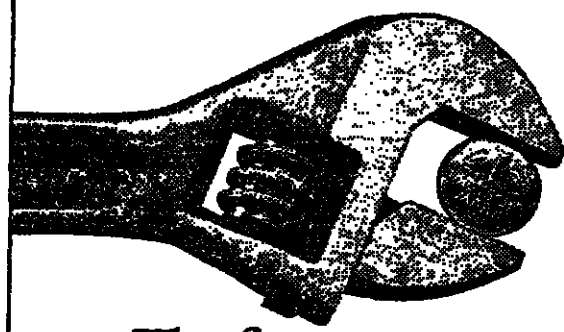
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FT 9/89.1



FINANCE & THE FAMILY

Alternative investment

Art in terms of filthy lucre

SOTHEBY'S launched this week its Art Market Bulletin, a publication aimed at giving those interested in art as an investment a running commentary on the state of the trade. Published every two months, it will be provided free of charge. Although Sotheby's has earmarked 1,500 initial interested parties, it will add to its mailing list anyone who is, or might become, a buyer of antiques at auction, or who acts as an investment adviser.

An important element in the Bulletin is Sotheby's Art Index, originally devised in 1975 for internal use but which has been appearing in *Barron's*, the American financial newspaper, since 1981.

The Index is modelled on other established indices, and covers the prices of auction of the 10 main sectors of the art market in terms of turnover, excluding volatile areas such as jewels.

Sotheby's experts suggest around 30 to 40 middle price-range items, which appear regularly at auction in each of the 10 sectors, to go into the Index. Thus it offers a rough guide as to how the prices of

works of art compare with other investment and financial trends.

The first issue of the Art Market Bulletin looks at price movements over the past 10 years. It is quick to point out that no one should buy works of art purely as an investment, and that anyone entering the field without a sympathy with the objects, and without expert advice, is likely to come a cropper. It also produces recent saleroom evidence of the dire consequences of disposing of works of art within a few years of their purchase.

So what has happened in the past two saleroom seasons? The earlier year, 1988-89, was exceptional in every sector, with prices in all 10 rising by over 20 per cent on the previous season. For Old Master paintings and English furniture the appreciation was around 35 per cent.

Last season, not surprisingly, showed a much slower rate of growth. English silver almost managed a 25 per cent rise, but the average was about 10 per cent, and three markets, continental and Chinese ceramics,

and French and continental furniture, actually showed a very slight easing in prices.

The Bulletin attempts to explain the varying performances. The strength of the dollar against sterling encouraged heavy American buying in sectors—like English silver—which traditionally appeal to trans-Atlantic taste. Continental silver, in comparison, is dominated by local demand and did less well.

The four categories of paintings showed solid gains of between 12 and 16 per cent last season with Old Masters, in particular, enjoying a long overdue re-appraisal, closing some of the gap which had opened between the price of a good Old Master and a good Impressionist. But the latter retains an edge because of the broad international demand for Impressionist, even so the first part of last season was demonstrably better than the second. Ceramics had a bad time, mainly because there were few important sales in the continental sector, while for Chinese there were dramatic fluctuations between the various types.

English furniture was boosted by American demand; while continental, especially French, suffered setbacks.

The commentary makes much more sense than the tables and graphs. For example the Art Index suggests a decline, between the end of June and the end of August 1988 saw the Index at 400. But these two months are always the quietest of the saleroom year; in many categories no significant auctions will have been held. A slight easing in price is not surprising.

The Art Market Bulletin will be an extremely useful statistical guide to the past performance of works of art at auction. It seems to be impartial. It is a pity that the greatest creative efforts of mankind should be so regularly viewed in terms of filthy lucre, but it was ever so. At least Sotheby's acknowledges the fact that, in the beginning, many collectors think they are in it for the money! Often, over time, they become true connoisseurs.

Antony Thornicroft



Detail from "A Wedding Feast" by Brueghel the Younger, sold for \$660,000 last year. The previous best for a work by this artist was \$451,000 in 1980.

SOTHEBY'S ART INDEX

	end- Aug 1985	end- June 1985	end- Aug 1984	end- June 1984
Old Master Paintings	385	401	339	322
19th Century European Paintings	332	346	277	275
Impressionist Paintings	454	467	407	396
Modern Paintings	379	394	384	374
Continental Ceramics	648	675	651	604
Chinese Ceramics	397	414	320	312
English Silver	237	247	218	212
Continental Silver	344	379	345	328
French and Continental Furniture	509	531	484	474
English Furniture	437	451	400	383
Aggregate				

Basis for all groups September 1975 = 100.

Student banking

Special offers for school leavers

WITH THE initial sighs of relief and celebrations over school leavers fortunate enough to have done well enough in their A-level examinations will be getting set to go to university or college. When they arrive there one of the first things which they will need—if they haven't already—is a bank account. These are customers whom the banks are keen to woo. Catching them young, the banks know, usually means keeping them as customers for life.

As a result new students are offered a wide choice of "goodies" and/or special deals and discounts to "help" them choose their bank. Such are the concessions offered to students that one Member of Parliament recently attacked the banks for being "totally irresponsible" and engaging in "unscrupulous" practices in their efforts to corner the campus market.

All four main clearing banks offer students free banking, as do the Co-operative Bank and the TSB which, like the Midland, offer all customers free banking.

Provided they have already

reached an overdraft agreement with their bank managers students do not have to pay bank charges even if they are overdrawn.

Interest on overdrafts is also concessional, usually only one percentage point above base rate. The ceiling on these overdrafts varies from bank to bank—£200 at Barclays, Lloyds and Midland, £150 at National Westminster and £100 at the TSB.

On opening a current account students are usually given a cash dispenser card which allows them to draw up to £100 a day. With Barclays and Lloyds students will also be able to apply for a credit card; Lloyds setting a credit limit on the Access card which it offers. All the banks offer students, who are receiving a local

authority grant, a cheque guarantee card which they get when their grant has arrived.

National Westminster currently has the biggest share of the student market with around 38-40 per cent. This is largely because it has a substantial on-the-spot presence. It has 300 branches either on or near campuses with full-time student service officers. This year NatWest is also offering a free budget planner to help students with their financial management.

Unlike some of its competitors NatWest does not offer any free goodies. Its incentives are strictly linked to a bank current account and the facilities it offers students are more limited. First-year students receive a cash gift of £5 on opening a current account. All student

account-holders enjoy free banking until December of their last year.

Barclays adopts a similar approach. It too offers financial incentives rather than what it terms "gin-nicks".

However, it has been rather less successful in attracting student accounts than its overall share of the retail banking market would suggest. It has only 23 per cent of the student market against 30 per cent overall. Its lack of give-away goodies may be a factor but its main handicap on the campuses is its South African connections.

Other facilities offered by Barclays include low-cost insurance for personal belongings and damage to college or landlord's property. It also operates a graduation loan scheme of up to £500 at a concessional rate of 1 per cent above base rate to tide students over between the end of their studies and their first pay cheque. No repayment has to be made during the first three months of the loan, which then has to be repaid within 12 months.

Both Midland and Lloyds offer cash incentives. Midland mixes this with other inducements. It offers a choice between £5 in cash or four TDK cassette tapes. Midland, with 18 per cent of the student market, also operates a discount bus travel scheme whereby students travelling on National Express buses get discounts of up to 50 per cent on their fares. Students also get cut-price Euro cheque cards at £2 against the usual £3.50, but do not get a credit card. Midland also offers graduation loans on the same terms as Barclays with the repayment tailored to the student's future salary.

Lloyds Bank, with 20 per cent of the market, limits its extra incentives to an £8 cash credit

if accounts are opened before October 31.

The Co-operative Bank is running a new scheme until the end of November offering students and all young adults opening an account either £8 credited to their account or a £10 voucher to spend in any Co-op store or travel outlet.

MIDLAND BANK is extending its professional studies loan scheme to post-graduate students on business management courses, approved by the Council for National Academic Awards. The scheme is being widened to help meet the financial problems experienced by college and university students, particularly those seeking professional or business qualifications, having to survive on grants and limited incomes.

Under the professional studies loan scheme, as it is called, the Midland is offering a concessional rate of interest; no repayments during the study period and interest-only payments for the following two years.

Alternatively the £10 can be donated to the Band Aid Trust.

Also capitalising on the pop and rock scene is TSB which offers all new account holders in the 15 to 19 years age group a TSB card providing access to a wide range of discounts. Through a link with Virgin Records this gives cardholders 15 per cent discounts on any purchase, other than hi-fi and airline tickets, at any Virgin record shop. There are also discounts on Virgin mail order products.

Other inducements include free cassettes with purchases of Philips audio equipment, con-

cessions on selected consumer products promoted by Harvey Goldsmith, travel and accommodation discounts through Theatre Railclub and cut-price music books from Paul Hamlyn and Proteus Books.

Like Barclays, the TSB also offers low-cost insurance cover which includes liabilities arising from damage to a landlord's property or fixtures and fittings. Specifically for students, the TSB offers overdrafts but with a lower ceiling than the other banks of £100 and at a higher interest rate of 2 percentage points above base rate.

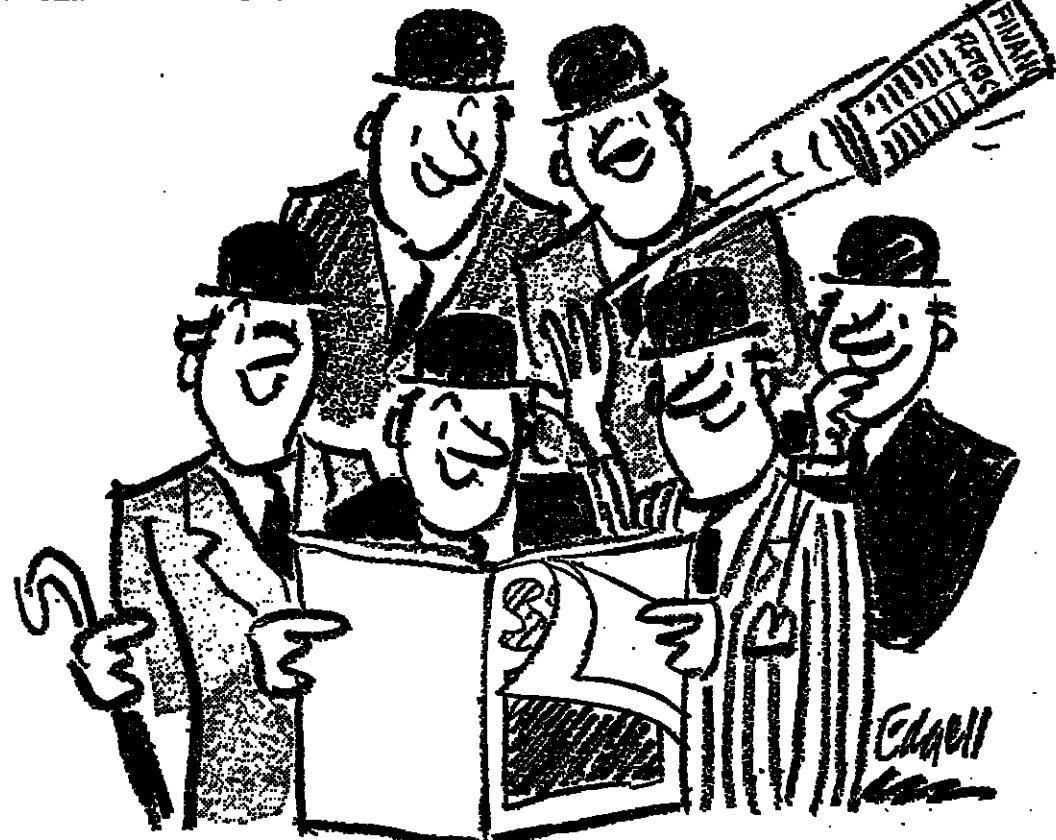
TSB also operates a graduation loan scheme of up to £500 at a lower rate of interest than those charged by the clearing banks—currently 10 per cent or 1 percentage point below base rate. They also get preferential access to a mortgage if they apply for one five years after graduating.

Provided that the student is a music lover and the Virgin Records stock her or his taste in music the TSB is in many ways the most attractive package, though not confined solely to students. Those students who are keen on counting the pennies will undoubtedly find the cash credits more attractive, with Lloyds and the Co-op having the edge here, while big spenders will presumably be lured by those banks—Barclays, Lloyds and TSB—which will extend their purchasing power by offering credit cards. The accident-prone might find the low-cost insurance schemes offered by Barclays and TSB useful protection.

For school leavers whose studies will not be at a university or college, Lloyds, the Co-op or TSB, all of which extend the student net wider, will have most appeal. Lloyds Bank, for instance, includes students of nursing and other medical professions. So does the Co-op, as well as to others in on-the-job training, and the TSB, which extends its coverage to those on sandwich courses who remain "students" for banking purposes even during their working stint.

Margaret Hughes

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FINANCE & THE FAMILY

Briefcase

Tax loss on stamp sales

I sold by auction in May 10 separate lots some rare stamps bought as an investment during the 12 month period to February 1978. A few items showed gains over the original purchase prices but most showed losses. The net proceeds of sale amounted to £2,585.53, whereas the total cost was £2,715.

The original purchase prices varied from £125 to £800 and the amounts realised in the auction sale were between £110 and £350 (before deduction of 10 per cent commission and VAT). Can you please advise me whether the loss incurred may be index-linked for CGT purposes on the disposal of ordinary shares?

We are sorry to say that the loss is not allowable at all. Parliament has disallowed CGT relief for losses on such modest transactions. In section 128 (3) of the Capital Gains Tax Act 1979 (as amended by the Finance Act 1982).

Murphy's law proves costly

In August last year, my car was written off after a motorway pile-up in which a Mr Murphy ran into the back of my car, after I had successfully stopped. Mr Murphy's insurers dickered over paying my insurance company until February this year, when, on being informed by us that Mr Murphy had been convicted of careless driving in January, they promptly refused to pay on the grounds that Mr Murphy had not informed them of his conviction. In the meantime I have been charged £108 in lost no claims bonus on the grounds that the insurers cannot recover their costs from Murphy. My question is whether an insurance company can disclaim

the cover they have allegedly given to a motorist, on the grounds that he neglected to inform them of a conviction some five months after the event in question? And if not what can an aggrieved claimant do about it? Is there no procedure under which one can complain? To add insult to injury, insurers offered our lawyers a payment of £260 to settle the personal injuries of our claim, but have made no payment more than three months after acceptance. The insurance company say there is nothing they can do about the matter, and that we shall have to "grin and bear" the loss of bonus. Please give me your advice on this problem.

The ground stated by Mr Murphy's insurers for disclaiming liability seems to be inappropriate, as it relates to an event after the accident (and presumably the claim). It seems that you would have good ground to require your own insurers not to accept that Mr Murphy's insurers can disclaim and to take a stronger line. However your insurers are not obliged to do this provided they see you properly recompensed; but this should include you NOT forfeiting your no-claims bonus. You might obtain further guidance from the British Insurance Association of Aldersley House, Queen Street, London, E.C.4.

Taxation liability

I live with a partner to whom I am not married, and together we have bought a house valued approximately £120,000. This has been paid for in the ratio of roughly 2:1, myself paying the greater share. There is no mortgage on the property. There is a written agreement

that the survivor of the two of us can stay in the house as long as he/she wishes. When the house is sold the money received will be shared pro rata. We each have adult children who will be the beneficiaries of our respective wills they all know and approve of the agreement about the house.

Other than my home, my capital is approximately £50,000—£25,000 of which is mine only in trust for my life and then passes to my children as a result of my late wife's will of 1970. I gather that this will not attract CTT. My other capital in various shares and unit trusts amounts to almost the same.

I should like to do something now to avoid as much CTT as possible, especially as the house, which is in a unique and attractive position, may well appreciate substantially. I am 57 years old and my partner is five years younger. If the children are given a share of the equity of the house, what would be the position re CGT if I should wish to sell at some future date?

As the house is your private dwellinghouse no Capital Gains Tax is chargeable on your disposing of an interest in it. You can therefore make the gifts which you contemplate, but on sale a proportion of the proceeds equivalent to the total of the children's interest will be subject to Capital Gains Tax, taking a base value as at the date of the gifts.

Adventures in the port trade

In July 1967 I bought two hundred cases of vintage port for £2,468. In order to test the market five cases were sold in December 1977 for £225 and six

cases in December 1978 for £450. Both sales were declared as capital gains on my income tax returns and were accepted as such by the tax inspector at the relevant times.

In August 1984 181 cases were sold for £43,000, the other eight cases having been drunk or given as presents. The last sale was declared as a capital gain on my 1983-84 tax return and the tax inspector has now written as follows:

"I note that the profit on this transaction has been returned as a capital gain. However before I consider your computations it is necessary to consider whether the transaction can be said to constitute a 'trade' within the extended meaning given by S.826 ICTA in which case the profits would be properly chargeable as income."

I note that in this case the asset involved in the transaction is non-income producing, not a type yielding any profit of possession and that the quantity purchased seems far in excess of what the owner might reasonably expect to consume himself. The courts have consistently attached a great deal of importance to the nature of the asset when deciding cases of this sort. In view of the nature of the asset concerned I am initially inclined to regard the transaction as constituting an 'adventure'... in the nature of trade."

No other similar purchases or sales have been made. What is your view?

The inspector doubtless has it in mind that if it is possible to establish that the port will become undrinkable by August 2004, the sale in August 1984 will be exempt from capital gains tax (by virtue of section 127 of the CGT Act 1979, in conjunction with sections 155(1) and 37).

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Assuming that you duly reported the purchase in your 1983-84 tax return, it seems unlikely that the local General Commissioners would find (as a question of fact, on appeal) that the purchase in July 1987 and the sales in December 1977, December 1978 and August 1984 constituted an adventure in the nature of trade. The amount of tax at stake may justify the expense of professional guidance in negotiations and in any appeal against income tax assessments for 1979-80 onwards.

Deduction for interest wrong

Is it accepted policy that a taxpayer who has hitherto paid the tax on one year's interest via PAYE during the following year should be required to pay the tax on two years' interest (both 84/85 and 85/86) during the current year as a result of the introduction of taxation-at-source for such interest?

If not, is it the 84/85 interest, or some earlier year's, which should drop out of assessment? Provided that you are only talking about UK bank deposit interest, your 1985/86 PAYE coding notice should not contain any deduction for untaxed interest. (If it does, you should give written notice of objection.)

Your 1984-85 assessment should be based upon your 1984-85 bank interest, and so your 1983-84 interest should drop out of assessment (unless the strict statutory basis is applied, as confirmed in Hart v Sangster, which seems unlikely from what you say), by virtue of paragraph 6 (6) of schedule 8 to the Finance Act 1984.

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The table below compares the performance of our European Trust over the last year with those of several other management groups.*

£1380	£1312	£1202	£1180	£1112
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*Value of £1000 invested Sept 3rd 1984. Figs are offer to bid, net income reinvested. Source: 'Planned Savings'.

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A charitable covenant is a simple and effective device with which to increase by 43 per cent or more the value to the charity of your gift. The essence of a covenant is that it is a voluntary but legally binding agreement, under which you transfer part of your income to the charity. You can deduct from the payments income tax at the basic rate (currently 30 per cent).

If, as a basic rate taxpayer, you earn £100 salary, you pay £30 tax on it and receive £70. You hand £70 to the charity and do not have to reach into your savings for the balance of £30. The charity, however, can reclaim £30 from the Inland Revenue.

Suppose that you recently

donated £100 to Live Aid. If you did not do so through a covenant, these tax arrangements would not apply. Your £100 would have come out of taxed income. At the basic rate, you must earn £142.86 to retain £100.

When you make your covenant you may express it either in gross terms, or in net terms, ie that you will pay an amount equal to £100 after deduction of basic rate tax.

If it is in gross terms and the basic rate of tax changes, the amount you must pay alters. So on £142.86 with the basic rate of 28 per cent, you pay £102.86 and the charity receives £40. Your payments under a net covenant are unaffected by such changes, but the amount recovered by the charity alters, at 28 per cent being reduced to £38.89 on a £100 net covenant.

If you suffer tax at the higher rates, the net cost to you of a covenant may be reduced even further.

You can only get relief at the higher rates for total gross covenants of £10,000 (ie, £7,000 net of basic rate tax).

This limit was increased from £5,000 to £10,000 with effect from April 6 this year, but the increase applies to existing as well as new covenants.

The drawback of a covenant is that to be effective payments must be made under it for a period exceeding three years; covenants are in consequence normally made to run for four years.

You can always form your own charity—not to undertake charitable work itself but to support financially the work of other charitable bodies. Your covenant is then made in favour of your own charity and its trustees (of which you may be one) will reclaim the tax you deducted.

A simpler scheme is run by the Charities Aid Foundation, at 48 Pembury Road, Tonbridge, Kent. You make a covenant to the CAF, which reclaims the tax from the Inland Revenue and then issues you with a charity chequebook. You can make donations to the charity of your choice at full value.

Malcolm Gammie

MERCURY EUROPEAN INCOME FUND

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Senior Fund Manager—Holborn Japanese Trust



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Senior Fund Manager—Holborn North American Trust



"The Holborn European Trust will aim to produce capital growth by investing in a broad range of securities in European markets outside the United Kingdom.

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Senior Fund Manager—Holborn European Trust

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Income: The initial estimated current gross yield and income distribution dates for the three trusts are:

TRUST	YIELD	INTEREST DATES	TAX DEDUCTION
HOLBORN JAPANESE	5p	21 APRIL OCT	21 APR 86
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HOLBORN EUROPEAN	5p	21 JAN 21 JULY	21 JULY 86

The trusts are authorised by the Department of Trade and Industry and the Deeds are dated 20th August 1985. The Deeds contain provisions for the Managers to deal in Traded Options.

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£100

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HOLBORN NORTH AMERICAN	£
HOLBORN EUROPEAN	£
TOTAL INVESTMENT	£

Please complete the following in BLOCK CAPITALS.

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FINANCE & THE FAMILY

European Currency Units

Any Ecus... to phase a coin

TURN OUT your pockets and gaze nostalgically at the remnants of your European holiday: the wretched ticket to the Lido in Venice, the postcard from Avignon that you meant to send to Aunt Edna, and those few jangling European Currency units you did not manage to spend at the duty-free.

Well, not quite. But holding Ecus (pronounced Eckuse) in your hand is about the only thing you can do with them. The Ecu, a unit that pools 10 European Community currencies (the Spanish peseta and the Portuguese escudo are not in the basket yet), has become an established currency in its own right.

Although Mrs Thatcher has steadfastly kept the pound out of the exchange rate-pegging arrangements of the European Monetary System, London is in the Ecu basket. And London is an important centre for the foreign exchange and deposit market that has developed in Ecus between big international banks, as well as for the growing issue of bonds and other financial instruments denominated in Ecus.

All very fine, you might think, but it will never affect me.

After all, what can you do with a currency you can't see and touch?

The spread of Ecus into daily life outside large financial institutions is not as fanciful as it seems. Many European companies now invoice in them — you might find, for example, that you book to go to a seminar on the Continent and receive a bill in Ecus.

People should not be afraid of such eventualities, says Len Dewes, assistant chief dealer at Lloyds Bank. "They should look at Ecus not as funny money but as just another foreign currency in which they can make and receive payments."

You can open an account in Ecus at three of the four clearing banks. Barclays is the exception: there, you have to be non-resident in the UK and have a minimum of £1m to deposit. At the others, the full range of accounts from current up to five-year deposit is available, with interest rates depending on the size of deposit — just as in any other tradeable currency.

If the attractions of opening an account are not immediately obvious — interest rates at present are below those of sterling — another more practical use

has just emerged. American Express, in conjunction with Lloyds and a French bank, has launched Ecu-denominated travellers cheques this summer. Thomas Cook, a subsidiary of Midland Bank, plans to introduce its version this month in association with several hundred European banks.

Dewes says the Lloyds cheques have been cashed as far afield as Cornwall and the Lake District, as well as on the Continent. The issuers admit, however, that the cheques are an experiment and they have little idea of the market at which they are aiming.

This leads to the all-important question: why would the person in the street actually want to have anything to do with Ecus?

The answer lies in the Ecu's role as the pivot of the European Monetary System. Because it is made up of 10 component currencies, its rate against each of those currencies is naturally more stable than they are against each other.

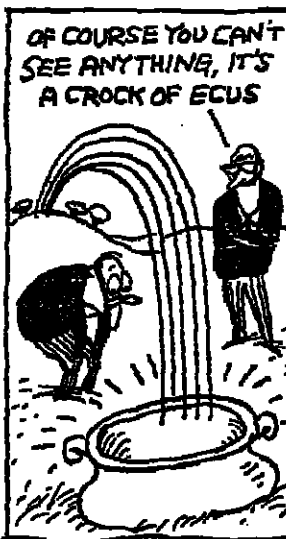
The French franc's rate against the Ecu is less volatile than its rate against the lira or the pound. In fact, the Ecu moves most closely in line with the D-Mark because the West German currency carries the

highest weighting in the Ecu's composition.

The relative stability of the Ecu means, for example, that buyers of travellers cheques are afforded some protection from violent currency fluctuations while they journey round Europe although the Ecu is liable to fluctuate against the dollar almost as dramatically as any other European currency.

The presence of the lira and other high-interest currencies in the Ecu basket means also that interest rates for depositors or lenders in Ecus may be higher than for some other currencies, such as D-Marks. Borrowers like the Ecu because they can diversify their liabilities across a spread of currencies, some of which — like Irish punts — would be difficult to borrow on their own.

For these and other reasons, the Ecu already has become the fifth most important currency in international financing, after the dollar, Swiss franc, D-Mark and Japanese yen. Unless the EMS falls apart — which at present seems unlikely, since it has been seen as a success in smoothing currency markets in its six-year life — the Ecu appears set to play an ever more important role in



European life although nationalist concerns still seem likely to prevent it from replacing the pound (or franc) in your pocket.

In an increasingly cashless society, the absence of tangible Ecus is of diminishing importance. It is easy to use a credit card to pay in Ecus. Services that are universal — and especially those connected with travel such as hotel rooms, car rentals and air fares — seem promising candidates for Ecu-denominated prices. And to put on that postcard, how about an Ecu stamp? Aunt Edna would never know it was posted from East Grinstead.

Alexander Nicoll

Unit trusts

Supplementary benefits

UNIT TRUSTS are not perhaps the most obvious home for those seeking a steady flow of revenue from their savings. But they are well worth considering if you need income over several years to supplement, say, an inadequate pension.

Real returns on cash deposits in banks or building societies have been temptingly high in recent years — and they are still 2 to 3 per cent above the 6.9 per cent annual inflation rate. However, since your capital does not grow and the income is dependent on the trend in interest rates, even single figure inflation can wreak havoc with your living standards over the long term.

Unit trusts, on the other hand, offer the potential of capital growth and thus provide a rising income even if the yield on the units marks time. While the immediate gross returns on unit trust income funds — around 6 to 8 per cent — look dismal alongside the 9 or 10 per cent net rates available on deposit accounts, their record over the past 15 years is more impressive.

The latest figures from the Unit Trust Association show that UK equity income units, on an offer-to-bid basis, are up on average 249 per cent since July 1970. Annual returns on the original investment in the trusts had multiplied four times to nearly 16 per cent; while the running yield on the holding society account had crept up just 50 per cent. So do not be put off by the relatively poor starting yields on unit trusts.

Variety seems to be the spice of income trusts. Some management groups offer as many as four or five (Save and Prosper,

for instance, has High Return, High Yield, Income, Smaller Companies Income, Gilt and Fixed Interest Income, and American Income and Growth funds). Basically, though, the choice boils down to equities or fixed interest. Your decision will hinge on priorities you give to capital/income growth or immediate yield.

The commonest equity income trust, under the UTA's criteria, need yield only 25 per cent more than the FT Actuaries All Share Index, currently 4.4 per cent.

There is a hotch-potch of higher yielding funds. They principally invest in ordinary shares, but with 15 per cent or more in fixed interest (mainly preference shares). Inevitably, this is at the expense of some capital growth — Lawson High Yield, for example, whose 10.2 per cent gross yield is the biggest of the lot, has been a dull capital performer (its unit-holders lost 2 per cent of their capital over the 12 months, to August, according to Money Management statistics).

Gilt and fixed interest trusts, investing in government and loan stock, debentures etc, are a more recent addition to the unit trust income scene. Their ranks have swelled since 1980 from one to more than 40; in that year gilt specialists were exempted from paying corporation tax on their dividends. As with equity holdings, they now deduct 30 per cent income tax.

These funds offer the highest yields — now around 9.5 to 11 per cent — but only rise in price when interest rates decline. With the FT Government Securities Index up just 18 per cent in the last 7 years, they

have had little chance to muster a rising income.

More importantly, and especially since the recent changes in gilt taxation, it is doubtful whether holding gilts for income through a unit trust is more profitable than buying them direct. Charges on these trusts are admittedly low (Tyndall Gilt Income, for instance, deducts just 2 per cent initially and 1 per cent each year). But gilts can be purchased cheaply from the Post Office, and cashed in, free of capital gains tax, after a year (immediately from next July).

Gilt trusts, however, produce a CGT liability when units are sold — so unless the rules are changed, they should only be considered by the smaller investor.

Gilt funds, or others heavily exposed to fixed interest securities, could be used to pep up near-term yields on an income portfolio. But equity income funds are the best bet for the investor with a wider horizon.

Many of these trusts were forced to cut their distributions in 1980-81 when recession was undermining company profits and dividends. Since then they have produced some impressive real returns. Nearly 80 per cent of the 118 income funds included in the latest survey of the sector by Premier Unit Trust Brokers lifted their payouts during 1982-85 by more than the 16 per cent rise in the RPI — and 22 managed increases of more than 30 per cent.

Paradoxically, while faithful unit-holders have been benefiting from a steady improvement in their running yield, the stated yields of many income trusts

have actually fallen. That is partly a problem of success, since many of their former high yielding equities (Courtauld, Vickers etc) have staged healthy recoveries.

The result for income trusts has been some spectacular unit price gains and, at least until recent months, frequent appearances among the industry's league leaders — their 20.4 per cent average return (including reinvested income) over the year to August is still ahead of UK and overseas growth specialists.

At the same time, the funds' yields have shrunk; in a few cases to below the UTA's official

minimum (for example, Gartmore Income, yielding just 4.3 per cent). Many have sought to reinvest profits on holdings whose yield has dropped too far in higher income shares; but with the stock market at its present high levels that has not been easy.

So beware of equity funds offering yields as high as 8 or 9 per cent. Charges are the managers have had to bypass companies with the best growth prospects in favour of high yielding, but often risky and unmarketable, smaller companies.

Martin Winn

	UK equity income funds — £1,000 invested 15 years ago			
	Original income	Present income	Total Present capital	Value*
Mediolan fund	£40	£157	£1,525	£3,493
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Figures at July 1. Source: UTA. *No reinvested income, offer to bid.

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FT 14/9

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London, 21 & 22 October 1985

The Financial Times high-level meeting on Electronic Financial Services will be held at the Hotel Inter-Continental in London on October 21 and 22, 1985, and is timed to coincide with the major Banking Equipment and Technology exhibition at London's Barbican Centre.

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Re-cycled homes in old industries

ALL BUILDINGS decay but vacant buildings decay more than others. That is the timely reminder from Alan Edwards, director of the North West Civic Trust. He maintains much degeneration can be halted and reversed by identifying endangered buildings and restoring them to good use.

To encourage rescue operations by both developers and private individuals, the Trust has set up an information service concentrating on the area's legacy of dark satanic mills left derelict by changing patterns of industry and employment.

It is estimated that there is more than 30m square feet of redundant mill space in Greater Manchester and West Yorkshire alone, all in buildings with considerable potential. "They represent a vast reservoir of wasted and untapped resources," says Edwards. His aim is to bring them to the attention of all concerned with the property market.

The Trust's "information exchange" is documented in a 160-page Digest which is being updated quarterly. It is not just a list of buildings with pretty pictures; supplied are details of ownership, size, age, style and so on; plus some suggestions, with sketch plans, for new uses, as well as some costings.

There also is a case history of how the 19th century Wesley Methodist Church in Lancaster was converted into 42 flats for the elderly. A gallery within the original structure was removed and three floors were inserted; a lift, tank room and television aerials went into the tower; and the space lit by the "rose" window accommodated a communal sitting-room. Grimshaw and Townsend of Accrington were the architects.

Available for conversion at present is St Mark's Church, Cheetham Hill, Manchester, for which the diocesan authorities are asking around £25,000. From a planning point of view, residential use is preferred, although any viable scheme will be considered.

The Digest uses no-nonsense language to describe textile mills, warehouses, wharves, a town hall, library, packet house and pumping station. There is no estate agents' elaborate jargon here.

The owners of the Globe Works, Sheffield, are prepared to give the place away to anyone who can put it to good use, but there is a warning that repair costs could be in the

region of £150,000. "Despite its rather dirty external appearance, one can tell that this is a building of some quality, with a classical-style frontage," insists Edwards, who reports "limited interest" in its restoration.

Things look a bit more encouraging for a group of terraced cottages in the hamlet of Skimburness, on the Cumbrian coast. Holiday Homes, time-share apartments or sheltered housing are suggestions that the Allerdale District Council would entertain.

If you know of any vacant buildings with some sort of historical or architectural pedigree that need attention, let us know, pleads the Trust. The Digest costs £46 for the basic publication plus quarterly updates, or £10 for one issue, to Norman Bilsborough, North West Civic Trust, Environmental Institute, Greaves School, Bolton Road, Swinton, Manchester M27 2UX.

Another source for unusual property is the Society for the Protection of Ancient Buildings, started by William Morris in 1877. It also issues a list of historic places for sale. To get it you need to be a member—for details, send a stamped addressed envelope to the SPAB, 32 Spital Square, London, E1.

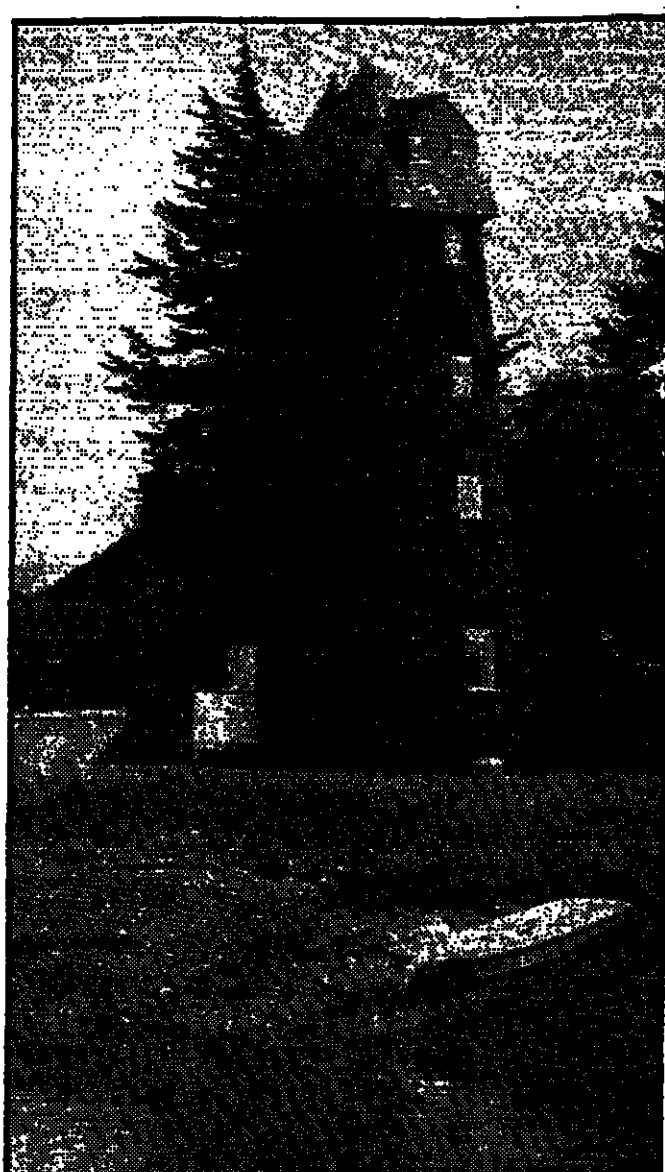
Catalogued at present are British Rail's redundant viaducts (now listed Grade II; one in Wales is a nature trail), a Queen Anne School in north Hertfordshire and a stone cottage with a closing order on it in Shropshire.

Writing on "Securing the Best Value from our Industrial Heritage" in the *Estates Gazette* last month, Dr Nicholas Falk, a member of the Department of the Environment's Property Advisory Group, summed up the pertinent points on the successful re-use of such buildings:

- Its condition—which depends how long it has been empty and how well it was built in the first place.
- Its configuration—which affects lighting and access.
- The terms on which it is available.

The need to take specialist advice rather than simply hoping that a buyer will just happen along.

What about a windmill? Symonds and Reading of Worthing, Sussex (0903 35623), is offering one at Arundel on the east bank of the River Arun. It was built about 1840; the sails blew off around 1920 and a new



Windmill at Arundel, for sale at £90,000 with planning consent to convert

cap was put on. The imposing blackened structure with its views of the cathedral has been used as a sort of "giant Wendy house" for the children of the owner, who lives in the adjacent granary.

There is planning consent to convert into five bedroom accommodation and the price is £90,000; to make a home along the lines of the plans drawn up by Sussex architect Neil Holland could cost another £40,000.

He reports a great deal of interest in what could become a unique waterside home, tucked well away from traffic yet within easy reach of a bustling tourist town.

There is an extraordinary variety of off-beat property around. No Man's Land Fort is surrounded by water in the middle of the Solent between Portsmouth and the Isle of Wight. To get there, you have to take a small boat or a helicopter.

The fort is one of four commissioned by Lord Palmerston

Gardening

How slow is slow?

I FIRST saw the mini-pinetum planted by Mr H. J. Welch at the head of the lake at Bilton in South Devon in 1980. I remember thinking how silly the tiny trees looked in that great expanse of grass and water. Revisiting this fine pleasure park this August, I was astonished to see the progress that those supposedly dwarf conifers had made in five years. Now many of them are at head height, some even more, and few are under three feet.

At Bilton the collection now makes an attractive and quite appropriate addition to the garden, but in a small rocky such growth could be disastrous. Many nurserymen seem to have realised the danger of calling trees and shrubs "dwarf" when they may eventually grow quite large, and there is much more use of the description "slow growing," but even that prompts the question "how slow is slow?"

I appreciate the difficulty of answering this when so much depends on soil and situation. In my garden I have a variety of juniper named Meyer which has hung around for years at a height below two feet. Now it has suddenly taken off; it has raced up to five feet with no sign of stopping. Checking up on this, I find that Hilliers' "Manual" says: "Although normally seen as a small to medium size shrub it will eventually reach a large size." If that means 15 ft or more it will soon have to go or be moved elsewhere.

In my soil, which is phosphorus deficient, it is not unusual for trees and shrubs to progress very slowly for several years and then accelerate, perhaps because they have rooted down sufficiently far to find the missing chemicals.

Depth of soil and drainage can also make a difference. I have the slenderly erect juniper Skyrocket, planted alternately with the more broadly conical, coppery yellow Thuja Rheinhold around my vegetable garden, which has rock quite near the surface at one end and a much greater depth of soil at the other. You can trace this quite clearly in the growth of the shrubs.

A few conifers always live up to that description. Who has ever seen the little miniature Irish juniper, *Compressa*, more than two feet high—and that would be a very old plant. Some people call it the "Noah's Ark"



juniper: not a bad description. As it is very narrow as well as very slow-growing it is the ideal conifer for a trough garden.

Several very old varieties of Lawson cypress are also completely reliable. *Golden leaved Minima Aurea* will grow very slowly to about 3 ft. *Minima Glauca* is much the same in ultimate size and grey-green. *Pygmaea Argentea* is silver tipped. But varieties of the Hinoki cypress (*Chamaecyparis obtusa*) described as "dwarf" can let one down completely. *Tetragona Aurea*, though undoubtedly slow-growing, can keep on until it reaches 30 ft. *Nana* is better, unlikely to exceed 3 ft, but *Nana Gracilis*, which sounds like a counterpart, can be three times that height.

One of the most popular small cypresses in recent years has been *Boulevard*, with grey crimped leaves and a nice conical habit. One normally reliable catalogue gives the maximum height as 4 ft, but I have a bush about 12 years old that is 10 ft and still growing. Another, much the same age, is smaller, but it got cropped by straying cows which set it back quite a lot.

Some dwarfs are very broad. This is true of *Juniperus horizontalis* in all its varieties which, though they do not get much above a foot off the ground, can spread for many feet.

I am particularly puzzled by the proliferating family of blue spruces. I have seen old rock gardens completely obliterated by the old *Picea pungens* *Koster*, planted in the false belief that it was small.

Adrian Bloom, who probably knows more about this than anyone else since his huge heather garden is liberally sprinkled with blue spruces, probably puts his finger on it when he says that most prostrate forms of spruce are from grafts from weaker horizontal shoots of named varieties. These tend to grow out sideways, but if erect stems do appear they can quickly take over. Adrian's advice is to cut them out. No doubt, until a genuine dwarf spruce is discovered, that is the answer.

Arthur Hellyer

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TRAVEL • MOTORING •

Ten ways to chase that winter sun

SUNSHINE is something of a sensitive subject this year. Mention it over the aperitif and the conversation is likely to go yawningly on until after the pud, with one camp bemoaning the rain in the UK summer of 1985 and the other flashing its white teeth against Greek tans.

My local newspaper did not hold out much hope for the winter, either, a week or so ago. A neighbourhood greybeard had studied the berries, the bees and the thickness of his cat's coat and come to the conclusion that we were in for a real tester of ice, blizzards and howling gales.

My own cat clearly did not believe it, and started to dispose of her coat on every available cushion, chair and rug.

Perhaps my greybeard has more followers than he knows: the British nation seems to be beating a path to its travel agent in order to buy winter sunshine holidays.

Winter sunshine is a vexed subject. For a start, no matter what the brochure might seem to promise, guaranteed sunshine is not particularly accessible from Northern Europe unless you have a taste for air travel and a deep pocket.

Before you pen a missive of disagreement please note that I said "guaranteed". There are many spots in the Mediterranean which have very pleasant winters, and often provide quite balmy weeks. You can, however, have some nasty weeks as those who experienced snow falls in the Riviera last winter discovered.

Snow, it must be admitted, is something of an exception. If what you are seeking is simply an escape from greyness in the UK in the winter months, the traditional destinations of the Balearics, the Greek islands, and the Algarve will give you that.

The average maximum temperature in the Algarve in January, for example, is 61°F. This is nearly 20 degrees warmer than London, and you should get more than five hours sunshine a day while London would be lucky to get two.

You should expect to pay around £250 for a couple of weeks in good hotel accommodation and over £400 for one of the best rooms at a de luxe property. The weather improves and the prices rise as winter moves on.

Temperatures in the sixties are, however, pretty meagre by comparison with the real sun. A trip to Barbados in January should give you 80°F. And nine hours sun a day; in



The Shaw Park Beach Hotel, Jamaica

Penang the thermometer will probably creep up to the nineties.

Acapulco basking in Pacific coastal warmth in the upper eighties, and lousy Nairobi will give you just as much sunshine but slightly more bearable warmth—the upper seventies.

In some popular sunshine spots the game is to miss the rainy season. In January and February this includes both Mauritius and the Seychelles in the Indian Ocean, much of southern Africa, Hawaii, and Bali. In the depths of winter you may also get rain in such supposedly dry spots as Egypt, Israel and North Africa.

Here then is a top 10 of winter destinations, in no particular order:

● A Nile cruise. Still, to my mind, the champion in the "holiday of a lifetime" stakes. The best time to go is late February or early March. If you leave it much later it really does start to get very hot, particularly on the trip up to Abu Simbel, which is usually an optional extra day trip around £80 and which the trips that start in the south and go down river, and would urge you to avoid those tours which spend more than a couple

of days in Cairo. Try to see it last, otherwise you will get a terrible impression of Egypt. Prices vary considerably, but £1,000 would be a benchmark for a quite respectable trip.

● Jamaica. A tricky one to recommend because all is not always right on this wonderful island. I would, however, choose it for its depth of culture, the scenic beauty, and the very high standards of accommodation. Here a benchmark price would be around £1,500 for a couple of weeks in a high grade hotel. (This all-in price would rise sharply if you opt for Club or First Class air travel.)

● The Grenadines. At the other end of the Caribbean scale in many senses, this series of small islands runs from St Vincent (the one to the west of Barbados, south of St Lucia) down to Grenada. The group includes the sailing haven of Bequia and the royal highway of Mustique. There is not much to do. Try the island resorts of Young Island and Petit St Vincent. A couple of weeks on Mustique will set you back something approaching £2,000 per person, but that is only a starting price.

● The Seychelles. What a pity these are such a long way away. Mahe is absolutely beautiful,

with other intriguing islands to visit. Beware of rain in the early winter—by late February the climate is more settled. The sea has more character than the Caribbean; the waves are bigger and the water less clear.

The hotels are all right, but do not expect to luxuriate. The best will set you back nearly £1,200, and rather more if you wait until mid-March before going.

● The Gambia. Budget sunshine. I have fond memories of walking for miles along deserted beaches, thoroughly enjoying the heat of the sun masked by ocean breezes. Take lots of books, do not expect Caribbean sophistication, and you will enjoy yourself. In January you are talking about a little over £500 for two weeks in a reasonable hotel. The hotels generally are of a good tourist standard, and you will enjoy the food more if you like fish.

● Madeira. Not a baking place in the winter months; a little like Bournemouth in early summer, perhaps, but people who like Madeira are not the sort who like to bake. A soft gentle place for peregrinations, relaxation, and a complete absence of the 18-30 age group.

● Elit. A complete contrast, chosen for relative inexperience

rather than personal appeal. Sun, sea and sand are the main ingredients of a menu for the well-heeled young. There are inland excursions, but the emphasis is on a sunbath and the good life. Basic prices in January are between £400-£500.

● Far East tour. Strictly for the energetic, but worth taking before the whole area moves into the Skyscraper Age in the wake of Singapore. Make up the mix as you wish, but try not to miss Hong Kong (remember it can be a little cool in mid-winter) and Bangkok (it is worth braving the traffic for the temples). Rain is likely to be less troublesome in February and March. After attacking the cities, choose a resort to switch off in for a week before flying home.

Choose between Penang, Phuket and Kuantan. Using better hotels, and travelling in February, the base price would be a little over £1,000.

● Tenerife. Another island of doubt since it is extremely popular. (Many friends say they enjoy it but I cannot say it has tugged at my heartstrings.) The weather is slightly better than Madeira in the winter months and the pace rather more attuned to today's world. There is a wide range of hotels to choose from, but at the top end of the market you will pay between £500-£600 as a basic package price.

● New Zealand. If what you really want in the winter is an English summer, and you can put up with the flight, then this is the place for you. The scenery, particularly in the South Island, is remarkable. The people are charming and friendly in a quietly confident way—in contrast to the macho chauvinism of their big neighbours to the north. Enjoy the sunshine and sea fun around Auckland, and fly south to rent a car in Christchurch to tour the mountainous splendours. Think in terms of £1,000-£2,000.

● Further information: Basic winter sun holidays in nearby areas are offered by several major tour companies—see your travel agent. The Travel Club of Upminster specialises in the Algarve and sells direct to the public (you will find them in Station Road, Upminster, Essex RM14 2TT). Among longer-haul brochures you should insist on from your travel agent are those of Kuoni, P & O Air Holidays, Thomas Cook, Caribbean Connection and Select Holidays.

Select is a new, up-market, operation set up by Intasun.

Arthur Sandles



Volkswagen's high-performance, supercharged Polo coupe... 0-62 mph in just nine seconds

Frankfurt keeps it clean

HOW DOES one say in German: "Roll up, roll up to the great all-wheel-drive and exhaust emission show?" That just about sums up Frankfurt 1985, which opened this week.

The organisers say it celebrates the 90th anniversary of the birth of the automobile, though the French reckoned the Paris Salon last October marked the centenary. It all depends who you think made the first motor car, Benz or some Gallic artisan (his name escapes me) claimed by the French to have produced the first petrol-engine runner a year before the Germans.

Nostalgia is not much in evidence at Frankfurt. The German motor industry is demonstrating how it has got to grips with the problem of cleaning up the exhaust emissions alleged to be killing off the country's forests.

While other European nations argue that the lean burn engine, which uses its fuel more efficiently by mixing it with more air, is the best way to clean up exhausts, the Germans have rushed into catalytic converters. These costly devices take nearly all the unpleasant products of combustion out of the exhaust gases before they leave the car's tailpipe but do not reduce fuel consumption, which the lean burn engine does.

It is hard to discuss exhaust emission rationally because emotion enters the equation and governments quail at the thought of antagonising the environmental lobby, which represents 10 per cent of the vote in Germany. In any case, it is not certain that forcing the car makers and their customers to spend hundreds of millions of pounds on cleaning up exhausts will save Germany's sickly trees: a scientist threw a cat among the pines recently by declaring it was all due to a

virus and atmospheric pollution was unimportant. The argument continues.

From smelly exhausts, however, let us turn to more attractive aspects of the motor car as seen at Frankfurt's monster exhibition.

Permanent four-wheel drive for road-going cars is the "in" thing. Audi pioneered it five years ago with the Quattro. Ford followed through in the spring of this year with the Sierra XR4i and unveiled a Scorpio (Granada) at Frankfurt with similar transmission.

Daimler-Benz and BMW also are exhibiting their own all-wheel-drive cars.

The Mercedes 124 is, as you would expect, clever, complicated and dripping with good engineering, though it is not yet for sale. It incorporates two traction-improvers: a rear differential lock and a wheel-spin inhibitor, like an ABS brake in reverse, which automatically comes into operation when the rear drive wheels begin to slip.

If still more traction is required, power is then automatically put through to the front wheels, too.

BMW has developed an all-wheel-drive system similar to Ford's and offers it in the new 325i, which reaches Britain this autumn in rear-drive form. And Volkswagen, demonstrating its independence from the tech

Audi end of the VAG organisation, has evolved a completely different kind of all-wheel drive for the Golf.

Whereas the Quattro has a 50:50 power split front to back, the Golf puts most of the power through the front wheels to maintain the kind of handling characteristics to which Golf owners are used. (For the same reason, Ford and BMW bias the power toward the rear wheels in their 4x4 cars.

Power from the Golf's 90 hp engine goes to the front wheels

through a normal, close-ratio five-speed gearbox, and to the rear wheels via a three-piece propeller shaft incorporating a viscous coupling. This makes a centre differential unnecessary and proportions the power between front and rear wheels as required.

On a dry road, the front wheels are doing most of the work of driving the car. As road grip decreases and the front wheels start turning faster than the rear wheels, the coupling locks up and makes the rear wheels help drive the car as well.

The extra weight makes the 4x4 Golf marginally slower than the front-drive equivalent but like the Audi Avant quattro I wrote about recently the all-wheel-driven Golf hatchback will pull heavy trailers, climb snowy hills, and cross sand or mud that would defeat a two-wheel-drive car. It will go on the market early next year and is likely to cost 25 per cent more than a Golf with normal transmission.

Volkswagen also has a most interesting new supercharger which is being offered initially on a very high performance version of the Polo coupe.

The so-called G-charger, like the Lancia Volumex, is driven directly from the engine, not by the flow of exhaust gas. It starts to boost the engine from low revolutions, increasing the 1.3 litre engine's torque (pulling power) by 40 per cent and its maximum output to 115 hp. Volkswagen speaks of a 121 mph top speed and 0-62 mph acceleration in a blistering nine seconds.

The G-charger is said to be 65 per cent more efficient than the Roots-type supercharger used by Lancia, and to be virtually silent.

More from Frankfurt next week.

Stuart Marshall

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SEPTEMBER 19th - 21st

Collecting

Changes rung in light and shade

LONDON'S CURRENT conservation scandal is the apparent determination of the Crown Estates Agents to demolish Daguerre's Diorama in Regents Park. It is hard not to admire their tenacity. Over the last ten years their plans to replace the building have included an Ismail centre, a car park with floral embellishments, and an office block. It is reported that the latest scheme is to build a centre for American culture. As a preliminary, the Agents have taken steps to evict the present inhabitants, Diorama Arts, who not only administer the building as a centre for British culture, but have long-term plans for its restoration as an historic monument.

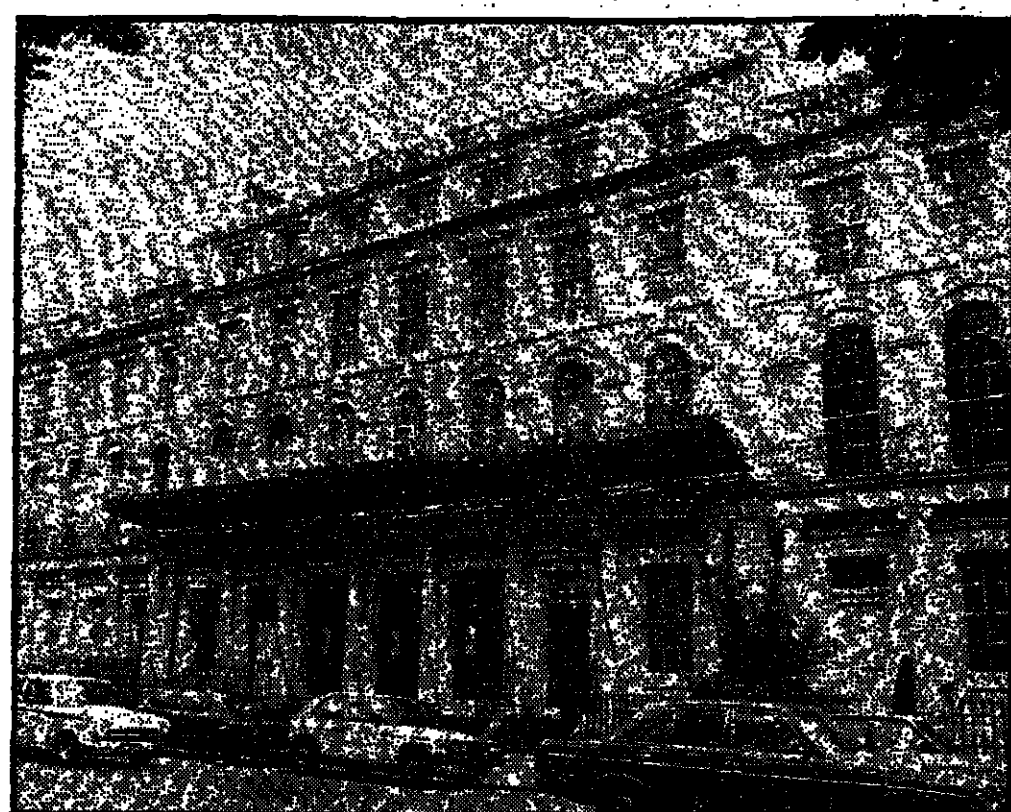
In its present run-down state, it is true, the building does not readily win sympathy. It is a peculiar brick polygon, fifty feet high, sticking out into the mews at the back of the elegant Nash terrace. It undeniably ruins the views of the neighbouring houses; it has done so for the past 160 years. Yet it has unique importance in the history of photography and cinema, and in the annals of English architecture. Its defenders regularly protest that no one today would dare to destroy a Roman theatre; yet Roman theatres exist in dozens while the Diorama is unique. The time has surely arrived when preservation of the Diorama should become a national responsibility.

The Diorama was designed as a theatre to display a technique of painting with light; and it is this that makes it an antecedent of cinema. Louis-Jacques-Mande Daguerre was fascinated by light—no doubt that is why he subsequently turned his attention to the development of photography. In the Diorama, he was able to combine the dual talents he had already displayed as a scenic designer, for *trompe l'oeil* and for lighting effects.

The show in the Diorama consisted of vast *trompe l'oeil* paintings, 60 ft by 40 ft, the canvas of which was made translucent, so that when illuminated from behind, the pictures could be subtly or dramatically transformed. These paintings were hung like backdrops in a theatre, but with an elaborate system of windows, shutters and blinds to permit infinite variations in the daylight shed from front or back.

The audience sat in a darkened auditorium (itself an innovation in theatre practice) and marvelled as the lighting was manipulated to simulate sunshine and storms, the passing seasons, sometimes complete transformation scenes—all to the accompaniment of music and sound effects. Daguerre exhibited two pictures at any one time; but since the lighting equipment was too elaborate to move, he adopted the audacious solution of moving the audience instead. The entire, 200-seat rotunda in which the public sat was gently revolved from one picture to another.

The Diorama opened in 1823 and continued to delight Londoners for 30 years. After its closure the building successfully saw service as a chapel and a hospital. Although the interior has been almost completely destroyed, the main structure (built by Augustus Charles Pugin, the father of the 19th century Gothic revival in English architecture) remains, along with the great "eye-socket" in which the moving



Threatened: the Diorama in Regents Park

auditorium revolved.

The Diorama qualifies for attention in a column about collecting because Daguerre's innovations in painting with light inspired print-sellers and toy makers to emulate the Dioramic effect in miniature. The range of products they devised in the attempt offers an attractive if somewhat rarefied field for the specialist collector.

The most ambitious and sought-after attempt at a miniature version of the Diorama was William Clark's "Portable Diorama," put on the market in 1825. The toy comprised six scenes of romantic landscapes, beautifully aquatinted on translucent paper and mounted on wooden frames, together with six sky effects—moonlight, rainbow, storm-clouds, and the like. These were fitted into a special viewing mechanism which enabled scenes and sky effects to be combined, in 36 picturesque permutations. At six guineas, the toy probably

outpriced its market: to judge from the very few that have survived it seems to have sold only in small numbers. The only one recorded in the auction rooms was sold two years ago for £450.

A commercially more successful miniature adaptation of the Diorama, the Polyorama Panoptique, was French in origin, but it was marketed throughout Europe in the 1840s and 1850s. In this case the translucent scenes were viewed in a peep show box fitted with shutters to vary the illumination of the picture. The Polyorama came in five different sizes with a large choice of scenes for each. Examples turn up regularly in the salerooms, and generally realise between £500 and £800. Less common is a cheaper variant of the toy, made in lacquered metal and styled "Lorgnette Pittoresque."

Much easier to find than these more elaborate devices are the "transparencies" or "dioramic" prints produced by a number

of London publishers, notably William Spooner of the Strand, who specialised in high-class novelties for children. Looking, at first sight, like conventional hand-coloured prints, these were designed so that when held up to the light the picture would change. Among favourite effects, often directly based on the shows at the actual Diorama, were ruined chapels, which appeared candle-lit and filled with ghostly figures when placed before the light; or Vesuvius, seen before and during eruption. The English Rose would be transformed into the young Victoria, or a pair of fighting cocks would change into Napoleon and Wellington. The price of these dioramic prints has crept up recently, but they are still often to be found for around £15 each. They make pretty souvenirs of a singular Georgian entertainment.

Janet Marsh

Landscape restoration

Strategy in the wilderness

Gillian Darley concludes a report on conservation in historic parks and gardens

LIKE a menacing shadow behind the great landscape of Stone, Stourhead, Bowood and the rest is a forgotten race of equally magnificent gardens and parks—still there, but either gone to wilderness or virtually eliminated in the interests of maintenance. The relative ease with which the Government can be persuaded to put its hand in its pocket for Kedleston, or Nostell Priory, makes those who campaign for historic landscape more than a little envious.

The claims of Painshill Park, Charles Hamilton's magical mid-18th century creation in Surrey—a place that tempted many a comparison with Elysium and Eden—went largely unnoticed until a valiant initiative by the local authority, Elmbridge Borough Council, which bought 158 acres of the original estate in 1980. Now administered by a charitable trust, and pressing into a second phase of restoration, recognition by the National Heritage Memorial Fund has been the turning point.

But Painshill with its lake (which once had, and will again have a vineyard on its shores), its iridescent grotto wall, its fluted pavilion, and its newly restored Gothic "temple" as an eye-catcher far above the water, is merely one among many. At quite another extreme, West Park, near Luton, owned by the Department of the Environment but leased to the National Institute of Agricultural Engineering, is scarcely known. Yet, it combines a great early 18th century landscape with a 19th century formal scheme, with canals of spectacular grandeur. The landscape architect, Land Use Consultants (which also provided the appraisal and plan for Painshill) has been retained by English Heritage to carry

out a survey and management plan. For Richard Flenley, the partner in charge, background of information and historical surveys must be transformed into strategy; a maintenance budget can, ingeniously applied, be used for incremental restoration.

Much of the job can be done quite gently; for him, the problems of approach to landscape restoration as a whole can be illustrated by a neat, natural metaphor. At Painshill, a venerable juniper grows on the slopes below the Gothic temple, rooted, apparently contentedly, in a split in its trunk, is a fully mature rowan tree. What is to be done? Flenley considers they both had strong claims, and so they remain undisturbed.

Elsewhere, county councils have carried out some imaginative initiatives. In Hampshire, a Gardens Trust, with its secretariat inside the planning department, is now constituted formally with grant-giving and advisory functions. In Kent, the council has funded the restoration of a Humphry Repton landscape, Vintners Park, as a country park scheme, using Manpower Services and Youth Opportunities Programme labour. Another Repton scheme, at nearby Cobham Hall, also is being restored and an appeal has just been launched by an independent charitable trust. As in many of these projects, the enthusiasm of one or two individuals has been translated into grand scale: here, the instigators were two local women, one a teacher at Cobham Hall school.

The private sector, too, is contributing its bit. Rhinefield Park, near Brockenhurst, is a luxury hotel which will depend upon the recreation of a great late-Victorian garden as part of its appeal. Gravetye Manor, the house in Sussex of William Robinson (known as the "father of the English flower garden"), is one example of a famed garden attached to a

country hotel; replanting has been carried out in the past year or two to recreate accurately Robinson's creation.

The National Trust, too, is turning its attention increasingly to work on its garden and park properties. The first to be surveyed thoroughly was Stourhead in Dorset; and here, the clash between the merits of the original arcadian landscape and later planting—in particular, the much-loved rhododendrons—brought public outcry. Compromise was reached by clearing the lakeside, and eliminating the more garish plants, so that the lines of the 18th century landscape and the wishes of a less scholarly public could be reconciled.

Meanwhile, an appeal has been launched for Fountains Abbey and Studley Royal, acquired from North Yorkshire County Council in 1983. Priorities are the repair of garden buildings and statuary, dredging and repair of the water system, and restoration of the planting. It will follow in the footsteps of the most ambitious restoration scheme to date, Clarendon, in Surrey.

As a virtual next-door neighbour to Painshill Park—and, like it, severed from the house to which the landscape once belonged—Clarendon serves as

Nuffield Place, between Henley and Wallingford, mentioned in an article on July 27, will be open for the last time this summer, tomorrow afternoon, September 15, 25

an illustration of how fast a restoration can be carried out. The Trust had been owner since 1949 but the park had been run by Elmbridge Borough Council as a public amenity. The offer of a grant from the Slater Foundation to restore the garden prompted the programme, which began in 1975. Laurel and rhododendron were brought



Comparisons with Elysium: the Gothic temple at Painshill Park

under control; the lake and grotto were cleared and repaired; the incidental buildings, temple and tower were restored.

There is no doubt that the explosion in garden and park restoration in Britain is based, above all, on the growth of academic interest in the subject and work by groups such as the Garden History Society. It is together with Save Britain's Heritage, had a notable victory a few weeks ago, defeating the Department of Transport's scheme to sever Highclere Park, near Newbury in Berkshire, with the A34 trunk road. An alternative route was accepted by the inspector at the public inquiry. The decision laid emphasis on the importance of historic parks and gardens as a factor in determining routes of new roads. It was a breakthrough.

Scores of gardens and landscapes remain to be rescued; Hawkestone in Shropshire sits

as a series of islands amid a golf course, the owners of which are under no obligation to maintain it. Biddulph Grange in Staffordshire (its sphinx sent on a memorable set of gardens on stamps produced by the GPO last year) requires concerted action by the appropriate authorities to ensure its future. Farnborough Hall, a National Trust property, is menaced by a road project. If the new breed of landscape architect/historian can graft that specialist knowledge on to the disciplines of management and maintenance, the future will be brighter for these and other problem cases. With such reservoirs of enthusiasm and expertise at hand, the picture looks promising.

The gaping hole is any real commitment by central government and its agencies to either legislate or finance the work that is being carried out so valiantly by almost everyone else.

For the second year my domestic pair of French partridges has produced a covey which I last saw at the flying stage. There is still plenty of cover for them although it is abnormally wet. But the wetness could provide a bonus of a sort. Rabbits have been a problem over the last 12 months, but since midsummer they have been decreasing in number through the onset of myxomatosis. It seems the wet weather is driving them underground off the dry vegetation they often live in during the summer. In the burrows lives the flea which transmits the disease: I had feared it was dying out.

The disease does not kill as many rabbits as it once did, but what it does do is slow them up so that the foxes and other predators can catch them. Myxomatosis may not be pleasant to look at, but after using all sorts of methods for keeping down rabbit numbers in the interest of my own survival I do think it is the least cruel way of doing so.

John Cherrington

Country notes

Calamities of a cold summer

THIS HAS not been the wettest summer I can remember, but it has certainly been the coldest. After a pretty frightful winter in the South of England, spring was late, and the season has never caught up. The cereals were two or three weeks late ripening, as was everything else.

There was one exception. In the first week of August I found a few mushrooms and enjoyed a couple of feeds before they vanished again. This time they were not stolen by the locals, who appear to think I grow them; they just did not grow at all. These first ones must have decided they did not like the look of things and put off emergence till an Indian Summer or even next year.

The mushrooms probably did not persist because they lacked sun. It has been cold and miserable for most of the summer and mushrooms are not the only sufferers. I raise a lot of lambs and had one of the worst years I can remember for rearing them fit for the butcher. This warned me that

the wheat harvest would disappoint, and so it did. Yields are well down, even though the crop grew and looked well and the grain seems to take up as much room as usual.

I am no gardener, but I do grow peas on the farm. This year I had the best crop I have ever grown in leaf and podding, but at harvest it yielded little more than half last year's crop, which never looked as well. This has nothing to do with damage caused by constant rain, simply lack of sun. This must have reduced the activity of bees which interfered with the pods' setting.

Absence of bees probably reduced the pods on the field of broad beans which I produced for seed. There was a

good early set with big pods near the ground but the later flowering was barren. At first I was rather sad about this. But since the sales of late July and August I am thankful, for if there had been any weight of pods higher up the whole crop would have been blown over.

The grass has never grown better—many fields in the South of England look as though they are enjoying an early spring. Do not be deceived by this. This late summer grass is thin and watery, an illusory picture of good grazing which nourishes only the eye of the beholder.

My walnut tree is barren this year, just when I had laid on someone to pickle for me. The earliest apples, particularly Discovery, have that nice rosy

look, but taste of the thinnest and sharpest cider, a collywobble in every bite.

Many of the trees, particularly beech, are having a bad time. Even in early September they are showing the faded look which presages autumn. Beech trees take a long time to die, but every year a number has to be taken down to avoid damage, and this is the time to mark them for felling. When they are down they show that the rot which kills them comes from wounds left in the bark by fallen branches, which fill with water. I think all trees have a limited life, which cannot be artificially prolonged.

Surprisingly for such an awful summer there seem to have been good hatches of wild

In the pink

Silver feet fit for the gold

IT WAS a summer's day in Rome, and the crowd hushed as the world championship finalists took to their marks for the 100 metres.

Among them, Sylvester Stein was a picture of relaxed concentration. As he puts it himself: "My muscles were ready; everything was right. I had been doing some very good training. There was magic in the way I felt."

When the gun went he stormed down the track to take the silver medal in 13 seconds flat.

The time betrays that these were not the world athletic championships, where the runner-up to Carl Lewis would need to be three seconds faster, but that makes Stein's feat no less remarkable.

He was 64 years and nine months old when he won that medal in the world veterans' championships this summer. He was running against younger men in the 60-65 age group. Now he can hardly wait for his 65th birthday, when he will have real gold medal chances among the 65-70s.

The medal has made this a doubly good year for Stein, a South African-born publisher. In the 1950s he wrote a novel about apartheid called *Second Class Taxi* which, although it was book of the month in Britain, was quickly banned at home.

He was not popular with the South African Government anyway, having been political editor of the *Rand Daily Mail* and editor of *Drum*, the African answer to *Punch*. He moved to London, but his fame in South Africa is now assured: the ban on *Second Class Taxi* was lifted last year.

"It used to be a crime to read it. Now they're saying it's a crime not to," he says with evident satisfaction.

Stein's exile, however, has proved good for many people because he has played an important role in the emergence of the fitness movement in Britain—though not because of his remarkable prowess as a geriatric sprinter. It is more than likely that the vast majority of fitness seekers will never have heard of him. Many though will have heard of the magazine he founded, *Running*.

It started life in 1979 as *Jogging* and almost folded, with a loss of £800,000 in the two years before the running boom began. Then it renamed itself and caught the tide on the flood. *Running* is part of Stonehart Publications, a £8m-plus turnover company that now employs 100 people. The company was started by Stein and Robert Troop when they left Odhams after the *Daily Mirror* took over in 1962. The main trade is in business newsletters. *Running*



Sylvester Stein: veteran sprinter

seems an unlikely staminate until Stein's sprinting career is taken into account.

People who meet Stein for the first time find it difficult to believe his track record—not because they doubt his achievements, only his age. "I would have put him in his early-to-mid-50s," one foreign visitor says. "He looks in such good shape."

There must be lessons in this for all of us. Stein says there is only one—and do it. But is it not dangerous to go out and start sprinting?

Stein says not, because you cannot do it unless you get into reasonable shape in the first place. "I don't think one can hurt oneself. You have governors all over your body. You can't make 100 metres flat out without building up to it, and training."

But he does not mean that people have to take up marathon running to get fit enough to start on the quick stuff. Stein has never run one, and says he never will. Nor do you have to be a lifelong hearty.

He then went through four years of improvement on his fitness and technique. He discovered other oldies doing the same thing, and ended up in the 100 metres final for his age group at the first World Veterans' championships in Toronto in 1975. He took the silver medal there too, clocking 13 seconds dead: a time that would have been good enough to win a gold in the 1986

Olympic Games.

Although age starts catching up with all veterans after those initial, continuous improvements, Stein points to a one-second deterioration for 100 metres in ten years as proof of how fitness can be maintained at a considerable level despite the rise of anno domini.

He does his training at Highgate Harriers on Tuesday and Thursday evenings and Sunday mornings. He also puts in one session a week of weight training to keep up his muscle tone and strength. A typical running session will start with a two-mile jog to warm up, followed by 10 minutes of stretching exercises and five 80-metre bursts at 80 per cent of flat-out effort.

Then he puts on his spikes for two or three full-blooded 100 metre practices or, if the ordinary club sprinters are out, ten or 12 sprint starts against much younger opposition.

After that he "warms down," with more stretching and jogging to let his heart rate slow down gradually and safely.

Is Stein a freak—or can anyone build up to this? He says that it is self-selective, and that only those who can build up to his scale of achievement will be able to motivate themselves to do it. In other words, it is not dangerous because those who can't, won't.

Ian Hamilton
Fazey

Education

Preppy parents call the tune

PARENTS this month begin to endure a form of self-inflicted misery that will get progressively more painful as the winter nights draw in. Alleviation comes slowly and not before many tears have flowed. It is called sending your child away to boarding school.

For first-time parents, and their numbers are increasing every year, the image of Dickensian cold showers and burnt porridge is a potent one. It comes, therefore, as a pleasant surprise (more like whimpering relief, actually) to discover that today's prep schools, while still offering a high standard of academic achievement, also have fitted carpets in the dorms; matrons who dispense cuddles as well as clean socks; often spectacular sporting facilities; and all in an atmosphere that is relaxed, even jolly.

With the roll of school-age children going down, recruitment in the diplomatic and arm's services being reduced, and yearly fees that don't leave much change from £4,000, Britain's prep schools are having to try very hard to get new customers. This competition, plus the increased involvement of parents in their children's education, has produced a dramatic change from the boarding schools of a generation ago. Parents still demand discipline and good examination passes, but they are very concerned that their child should be happy as well.

"Quite rightly," says Julian James who, with wife Hilary, runs 115-pupil St Aubyns on the Sussex coast. "Children don't produce good work if they are not happy. New parents are always surprised at the relaxed atmosphere here. The boys show respect but they are not afraid of me. I think if parents see children flatter themselves against a wall as the head walks past, they should be wary."

Although some headmasters, and presumably their governors, are still clamped in a chauvinist time-war, those schools that have introduced girls have not only tapped a natural flow of extra income but claim the family atmosphere of the school has been improved greatly. David Pritchard, headmaster of Port Regis School in Dorset, says it is the best thing he ever did; and Edward Pease-Watkin, head of Crickwood Hall, Shrewsbury, adds: "Girls make the place happier and more like home. They, in turn, benefit a great deal from the science and sporting facilities we provide which they might not get at a girls' school."

day school."

The prep school industry—a turnover of £1m is not unusual—is buoyant and busily investing in its future. Equally, however, it is under constant pressure to keep its numbers up. Robin Peverett, headmaster of Dulwich College Prep at Cranbrook, Kent, and chairman of the Incorporated Association of Preparatory Schools, says: "We have had hard times but prep schools are learning to adapt to what is needed in their area. Parents say, either we get the school we want or we won't pay."

From roller skating to canoeing, squash to golf, chess clubs and video games, there is nothing in the juvenile social firmament that progressive prep schools fail to make available these days. At Crickwood Hall, for instance, the 287 co-eds also have 85 acres in which to play.

"We are not constantly badgering them about rules and regulations although we do expect them to turn up on time for meals," said Pease-Watkin. "Everything I have changed totally since I was at boarding school. We have no corporal punishment now and we call the children by their first names. They have much more freedom and they are far better for it. I agree that happy children work harder; and if you put papers on the walls, boys are less likely to kick them in. In a pleasant atmosphere, they tend to behave better."

The old image of dormitories was that of barracks-like sleeping quarters with iron bedsteads. These have been replaced by smaller rooms with coffee tables and bean bags, housing five or six pupils each with his or her own desk. There are Supermen or Cabbage Patch duvet covers, posters, and "keep out" messages to matron. Once, there often was a feeling of being in prison; now, most schools own a mini-bus and trips to the seaside, local beauty spots, the theatre and cinema are all part of the term's activities.

Stodge is still on the menu but many schools are now following parental preferences for wholesome bread, health foods and interesting salads as well as providing a self-service dining room so children don't have to eat something they truly hate.

In spite of all the fun and games, today's prep school child still manages to do as much work as his forbears but the emphases are different. Although some still have to go through

the agony of learning the kings and queens of England by rote, the curriculum has altered drastically. To accommodate learning computer skills, for example, some schools devote as much as 20 per cent of time to the computer until they get it right without the fear of the machine making them look "stupid."

Computers, according to Pritchard, are liberating both teachers and pupils from the constraints of old-fashioned lessons. "This is an exciting time to be teaching," he says. "Computers leave teachers free to teach the child rather than the subject, and pupils can make as many mistakes as they like at the computer until they get it right without the fear of the machine making them look stupid."

Pritchard is typical of heads who are teaching their pupils that school work can have an end result. "The educational system has not moved fast enough to suit the outside world; it is still geared for our days of empire, not the needs of the UK. But we are beginning to move in the right direction," he says.

"Here, we have spent £20,000 on computers and have a new robot joining us this term. The children will be able to programme him to turn out bits for jewellery or clocks while they are asleep—items that eventually will be sold to proud parents. The object is to encourage children to take raw materials, manufacture something from them, market it, and make a profit. That, is what education is all about."

Pritchard adds: "The old image of the prep school parent is changing rapidly and we simply have to mirror that change. They come from the particular class background now but they do have certain things in common: they are in their mid-30s, are aspiring executives, and they expect the goods."

Do they get them? Says Pritchard: "When you look at education, entertainment, food, accommodation, sending your child to a boarding school is really rather cheap."

As an "old" parent who has survived the wrath of parting with a son and a daughter a year ago, and who is tiring up (with mounting disbeliefs) the cost of these summer holidays (rain being much more expensive than sunshine), I have to agree. More important than value-for-money, though, is that, contrary to expectations, we have all survived the experience and are even beginning to enjoy it.

Heather Kirby

With love from Mary

LADY CURZON'S INDIA: LETTERS OF A VICEROINE
Edited by John Bradley.
Weidenfeld and Nicolson,
£12.95, 130 pages

A FASCINATING biography of Mary Curzon by Nigel Nicolson was published eight years ago. In it he quoted generously from her letters to her parents and her husband, and from her diaries, and so amusing and so lively was her writing that one longed for more. Here it is, a great treat, extracts from some 50 manuscript volumes, and focussed, to suit fashion, on her years in India. The photographs, provided by Lady Alexandra Metcalfe, Mary's daughter, are an absolute delight.

Mary Curzon was born in Chicago in 1870. Her father was Levi Leiter, the founder of Marshall Field, and seriously rich. Mary, Leiter was very pretty and chic; she became a belle in American society and was an early model for Charles Dana Gibson. Margot Asquith said that she was "struck dumb by the beauty of Mary Leiter" when she met her in London in 1890. So too was George Curzon, with whom Mary fell wholly and totally in love at first sight; he hovered in his intentions, but her sweet nature and constancy won the day, and they were married in 1895. Three years later he was appointed Viceroy, and in January 1899 they arrived in Bombay, and proceeded to Calcutta.

Darling Mamma and Papa. We drove through seven and a half miles of packed streets—we bowing and smiling as hard as ever we could. At

eight a huge dinner of 112 people... After dinner we held a reception and 1,400 people filed past as we stood on a gold carpet... George sat on a throne of silver with huge golden tigers for arms... we retired to well earned bed... the house is very inconvenient, that you know, as it is like Kedleston... Dressing in the evening with smoky candles is very difficult... I have not been well, chill and headache... life is no sinecure... nearly freeze in my thin clothes and have to wear flannel jackets underneath... the Maharajah had twelve rows of pearls as fine as Consuelo's biggest!... the constant entertaining is slavery... my duty is with George. Life is too short for separations.

Worries about health darken the pages like black-edged paper. Mary Curzon suffered from frequent fevers and chills. "I am as weak as a December fly... it is the undimmedness of things in India, well one minute, half dead the next."

In later life Lord Curzon told Lady Diana Cooper that the ideal travelling companion should be gentle and vivacious; perhaps he was remembering Mary. When she is well she writes of India with surprise and delight. "The King's palace is the loveliest dream imaginable... carved lace marble screens, so fairylike. I laughed with satisfaction and joy." Her lively descriptions remind me of a girl entering the Vogue Talent Competition. Simpla was the summer residence of the Viceroy's court.

It is impossible to imagine a quainter spot. All the govern-

ment buildings are slipping and slithering down mountains, all the little houses are clinging to the sides; the hillmen pull the rickshaws very fast, and you think every minute you must go down head over heels as you spin downhill like lightning.

Vicissitudes she describes with good humour. In one place she tries to dress for dinner—"no blinds to the windows, and thousands looking in, so Garland [her maid] pursued me round the room with a bath towel which she held in front of me." Food could be surprising: "Dinner ended with little pies being served from which flew little live birds as you cut open the lid. They flew wildly about, and lit on my tiara."

In 1901 Lady Curzon returned to England to take a cure. The central section of the book contains the letters she wrote to her husband, and some of his replies. She reports back a breathless ticker-tape account of her whirlwind social life. Balfour purs compliments Margot, "all pathetic and birdlike." Gladys Deacon, the new star, Asquith's daughter, is "a young lady and of drink: 'You can't transport the middle classes' replied Curzon succinctly to this last.

It is a pity this section is marred by intrusive editing: Mr Bradley regards Edwardian society with the disdains of a Persian cat confronted with the staid vagaries of Edwardian London, its tainted bloom, and his dislike has deterred him from adequate research. There are unnecessary mistakes, for example Ettie Desborough frequently appears as "Ellie,"



Lord Curzon with Mary Leiter who became his wife

there are insufficient footnotes, and why should there be a "selective" rather than a comprehensive index?

The editor's odd view of life and love should not put off the reader. "George Curzon although far from rich, was sought after by the opposite sex." Indeed, as he was very attractive to women, his conquests were many—Lady Ribblesdale, Amelie Rives, Pearl

Craigie—though it is Mary who sails back to him "on the sands of the ocean and the wings of love." After her sudden death in 1906 there were other beauties, another marriage, but when he visited Consuelo Balfour in France just before his death, he told her, "I know that Mary will be the first to greet me in heaven."

Jane Abdy

Did Boney have a bad cold at Borodino?

NAPOLEON: 1812
by Nigel Nicolson.
Weidenfeld and Nicolson
£10.95, 192 pages.

AS USUAL, the Duke of Wellington said it most cogently. Asked who was the greatest general of his age, the Duke replied: "In this age, in past ages, in any age, Napoleon."

One of the Emperor's marshals, Marmont, provided the explanation: "We marched surrounded by a kind of radiance whose warmth I can still feel as I did 50 years ago." And, as Nigel Nicolson says, the humblest infantry soldier felt the same.

How then did this man of genius, this god of war, come to make the vast blunder, in which so many lesser blunders were contained, that is summed up in that one date, Eighteenth?

Nigel Nicolson gives us part of the answer—to give it all is probably impossible, for the last secrets are locked in the bosom of one man, who died on St Helena. In doing so, Mr Nicolson has written a fresh,

balanced and moving account of the most tragic of campaigns. "Fresh?" But how can the story of 1812 have that quality after War and Peace?

For one thing, Tolstoy got it wrong in certain important aspects, in his resolve to make Kutuzov his hero, in his anxiety to prove that battles are not won by generals. There was, however, one important respect in which the novelist was right, his glorification of the courage and staunchness of the ordinary Russian soldier. The verdict is plain: it was he, the soldier, the peasant who beat Napoleon.

But why was there any Russian campaign at all? Napoleon's reason, given by him to Caulaincourt—that the Tsar was just waiting to pounce on him—is obvious nonsense. That he was shut in between the British blockade and the vast spaces of Russia? And, being a land animal, like Hitler, he chose to strike at Russia. In the end, one is tempted to think that there was something completely irrational about his decision to march to the East.

The Marshals wanted to know: what is this campaign all about? He could not tell them. And having taken the first step beyond reason, he was condemned to a succession of hopeless dilemmas. To stop at Vilna, or Vitebsk, or Smolensk, or Borodino? Any civilised enemy would have called for a truce at one or other of these stages.

But the Tsar always sent back the same answer: rather than negotiate, he would let us beard grow to the waist and live in Siberia on potatoes. So the baffled Emperor was forced to march on Moscow. Napoleon insisted: "When the great nobles of Russia see me master of their capital, they will think twice of fighting on." The last illusion!

Still no word of negotiations. So should the march on St Petersburg? Three hundred and fifty miles away and no prospect of a truce at the end of it.

Should he march to the South and deal with the Russian armies—which would probably refuse to deal with him? Or should he—far as the days passed, as the supply problems grew and morale withered, the

unthinkable was thought, and even (by one daring general) uttered—should he retreat?

He was Emperor as well as a General; he could not leave the main post in the Tuileries unattended without risking anarchy for France. So Napoleon took the right decision—too late. In the first week of November the first

Buries of snow appeared—and of the 670,000 men who had crossed the Niemen, 670,000 failed to return. The last Frenchman threw his weapon into the river and made off. He was Ney: "A Marshal does not surrender."

True enough the Grand Army was less than half French. Speaking to Metternich, Napoleon said, "The French cannot complain much to me. To spare them, I have sacrificed the Germans and the Poles." Metternich replied, "You forget, sire, that you are speaking to a German."

And why—one question among many—why did Napoleon not offer freedom to the Russian serfs? Nicolson suggests that he sought it improper for one

Emperor to use the weapon of social upheaval against another. Besides, he would have lost the support of his allies, the Polish nobles, who had serfs of their own. It may be so. But perhaps Napoleon did not believe that the serfs would have accepted their freedom at his hands. And if he thought so, who is to say he was wrong?

It is held by Nicolson among others that Napoleon was mentally and physically below his best. He had a bad cold at Borodino? On the other hand he was as good as ever when he organised the crossing of the Beresina. No—bad health will not do. We must look elsewhere for the explanation.

Here then is the story of a gigantic military expedition, ill-prepared by a man of genius, doomed from the start and ending in the most horrific of retreats. Here, told graphically, with verve and—as far as is possible—with understanding, is war in all its grandeur and servitudes.

George Malcolm Thomson

THE PRE-RAPHAELITE CAMERAS
by Michael Bartram.
Weidenfeld & Nicolson £20.00, 200 pages

THE PHOTOGRAPHIC quality of the details in Pre-Raphaelite painting is one of the first things most people notice. The Brotherhood and photography grew up at the same time and contact was inevitable. But it is not simply a question of how and when specific painters made use of photography, or how much they were influenced by it. On the contrary, Michael Bartram in his fascinating book *The Pre-Raphaelite Camera* says that to a great extent it was the composition of the paintings that influenced the practice and development of photography.

Of course it is not even that simple: the pattern that emerges as photographic techniques advance alongside changing taste in pictures is one that Bartram calls "complex symbiosis" resulting from the pursuit of common ends by different means.

In the 1850s photography was hampered by technical restrictions. Exposures of up to 15 minutes were not unusual, on subject matter was strictly limited. Leafy trees swaying in the wind were impossible, but gnarled tree trunks with branches silhouetted against the sky were ideal, as were rock formations, ruins, studies of an old man or a single leaf, and sheltered glades (some brilliant evocations of landscape, boyhood, family. The second half tells of arrival and experiences in England. He exactly characterises the difference between the space and light of Africa and the subtleties of the northern atmosphere, both physical and social: "through the streets, between the trees, over the grass, the light moved..." so with English faces: "each face seemed to carry within it the shadows, the suggestions of innumerable others which had neither come to the surface nor been entirely lost..." But the book is more than just such observations: it is a sustained exegesis on the difference between the flatness and barrenness of colonial experience (though Jacobson's narrative powers enliven and enlighten South Africa) and the denseness and elaboration of English life. But much more than that, it is about self-awareness and self-discovery, and the mature acceptance of mortality.

The first part of the book is concerned with South Africa: vignettes of Kimberley neighbours, oddities—the Jewish immigrant who identifies himself with the Afrikaners and shoots himself when he hears that the Catoons are in Anglia, brilliant evocations of landscape, boyhood, family. The second half tells of arrival and experiences in England. He exactly characterises the difference between the space and light of Africa and the subtleties of the northern atmosphere, both physical and social: "through the streets, between the trees, over the grass, the light moved..." so with English faces: "each face seemed to carry within it the shadows, the suggestions of innumerable others which had neither come to the surface nor been entirely lost..." But the book is more than just such observations: it is a sustained exegesis on the difference between the flatness and barrenness of colonial experience (though Jacobson's narrative powers enliven and enlighten South Africa) and the denseness and elaboration of English life. But much more than that, it is about self-awareness and self-discovery, and the mature acceptance of mortality.

TIME AND TIME AGAIN: AUTOBIOGRAPHIES
by Dan Jacobson.
André Deutsch £8.95, 214 pages.

IN SOUTH AFRICA, every week, I used to see a curious ritual. An ancient Daimler would draw up to our local grocer's: in the front a dour African maid and grizzled chauffeur; in the back an indecipherably old white "madam." With infinite patience, the two servants would escort her, very slowly, through the shop: items were chosen, the chauffeur carried them, she would pay and then this emblematic trio would roll very, very slowly away in the superannuated limousine. What was in those three minds?

South Africa is full, even to the casual observer, of such bizarre collisions, and one of them is immaculately characterised in Dan Jacobson's account, towards the end of this collection of "autobiographies," of his last visit home to Kimberley to see his ailing father. The portrait of the old man, living with his childhood memories of snow in Latvia, beneath the pitiless sun of the veld, is juxtaposed with that of Betty, the maid who has spent her life serving the family and is now left alone to care, hand and foot, for the old man, by turns devotedly cherishing, cheating and bullying him, between her own bouts of hopeless drunkenness. This section exemplifies the power and subtlety of Jacobson's method in a book which is both moving and rigorous: a fusion of superb description and of place—no one has caught that dreamlike dazzle better—and character, and meditation into the nature of time, fate, age, personal motivation and development. It is this intense interweaving of description and meditation which make for far more than a mere string of reminiscence.

The pieces have all appeared before in various forms: here one may see them as part of one controlled and ordered narrative, the basic mode of which is Proustian in its breadth of span between past and present, the range of

allusiveness which may start, for instance, with arrival in England and then become a sustained meditation on the differences between colonial and metropolitan life and consciousness. The death by drowning of his face had an intent, inward expression, as if he were listening to a voice within him which might have been lost if he had been distracted by the efforts of the people working over him... prefigures other deaths, natural and violent, an increasing awareness of mortality. A fascination with family and family history, and a novelist's eye for orderly narrative satisfy what the author calls "our instinctive belief that order and continuity truly express the nature of our lives... everything which is not orderly and continuous is a mistake, a perversion of what has been, should be and will be..."

The first part of the book is concerned with South Africa: vignettes of Kimberley neighbours, oddities—the Jewish immigrant who identifies himself with the Afrikaners and shoots himself when he hears that the Catoons are in Anglia, brilliant evocations of landscape, boyhood, family. The second half tells of arrival and experiences in England. He exactly characterises the difference between the space and light of Africa and the subtleties of the northern atmosphere, both physical and social: "through the streets, between the trees, over the grass, the light moved..." so with English faces: "each face seemed to carry within it the shadows, the suggestions of innumerable others which had neither come to the surface nor been entirely lost..." But the book is more than just such observations: it is a sustained exegesis on the difference between the flatness and barrenness of colonial experience (though Jacobson's narrative powers enliven and enlighten South Africa) and the denseness and elaboration of English life. But much more than that, it is about self-awareness and self-discovery, and the mature acceptance of mortality.

THE RESTORATION: A POLITICAL AND RELIGIOUS HISTORY OF ENGLAND AND WALES 1658-1667
by Ronald Hutton. Oxford.
£17.50, 379 pages.

THE BARE nine years that separate the death of Cromwell from the fall of Clarendon saw more changes in the external of English political life than most centuries. The 18 months with which they open had seen a succession of regimes so swift that Pepys found it necessary

to record the point reached in the very first entry of his diary at January 1660. The Restoration of Charles II in May of that year at least re-established a continuity of form and in the emphatic and repeated opinion of Ronald Hutton, expressed the real and abiding aspirations of the people. "No English political event other than the arrest of Guy Fawkes has inspired such enduring enthusiasm as the Stuart Restoration."

Breadth of research and the author's readiness to take a

Fiction

Victims then and now

HIROSHIMA JOE
by Martin Booth. Hutchinson,
£9.95, 441 pages

THE GOOD TERRORIST
by Doris Lessing. Jonathan Cape, £9.50, 370 pages

HONG KONG 1952. On the veranda of a cheap hotel, a former prisoner of the Japanese is terrified that the ceiling is about to collapse on him. Terrified too that a little boy who has seen him stealing fruit from a papaya tree will have him beaten by the authorities. He is Hiroshima Joe, once a British Army officer, now a thief, homosexual, drug addict and fallout victim. A little touched in the head, as the sniggering Chinese point out when they see him on the streets.

Friendless, rejected by his own kind, he shuffles along the waterfront in search of a handbag to steal, a cigarette butt, anything to keep the present at bay. Nothing is real to him any more, nothing matters except the past—the photo of his dead lover, the streets as he knew them during the Japanese occupation, the appalling memories of prison camp. When his sperm shows up sterile and the doctors diagnose radiation sickness, it comes as a relief more than anything. Like Lord Jim, he can only find his redemption in death.

All of which sounds like a thoroughly depressing read, but isn't. The novel builds from a slow start into a carefully controlled study of man's bestliness to man, vividly observed throughout, not least in the flashbacks to prison camp, which are among the most moving scenes in the book. It has to be said that the author's grasp of military dialogue is hazy, and that he sometimes topples over unnecessarily into melodrama. Nonetheless Hiroshima Joe is a cut or two above the usual POW story—a timely reminder perhaps, in this anniversary year, that the Japanese were not entirely without fault in the late unpleasantness.

Bombs again, though of a more conventional sort, in Doris Lessing's *The Good Terrorist*, an acerbic study of a group of left-wing loonies squatting in a condemned house while they plan to take over the world. Alice is the best of them. Alice is the best of

them, a respectable middle class girl (as are the others under their false proletarian accents) whose reason to live in a squat is because she is a revolutionary. She goes round to the council and gets them to unblock the cement from the lavatories. She even tidies up the garden a bit. No wonder the others suspect her of bourgeois tendencies.

The central command offer the services of the movement to the IRA. They are rejected. They offer themselves to Moscow and are politely turned down. Frustrated, they decide to do something off their own bat and blow up a traffic bollard as a prelude to greater things. A promising situation in the hands of a comic writer, but not in Doris Lessing's—or even Jane Somers's. Her touch is a little too ponderous for what is in any case rather a laboured plot. Where she does score though is in her devastating portrayal of the pathetic individuals who make up the group—on social security all of them, as inadequate a bunch of no-hopers as ever got together to organise the millennium.

Nicholas Best

BUNTER SAHIB
by Daniel Green. Hodder & Stoughton, £9.95, 272 pages

BUT FOR BUNTER
by David Hughes. Heinemann, £8.95, 223 pages

I AM thinking of lodging a complaint with Spock—the Society for the Protection of Characters in Fiction. These poor creatures are among the most seriously disadvantaged groups in our community. The demise of their inventors does not bring nowadays the peaceful retirement they have so richly earned. On the contrary, they are vulnerable to resuscitation from any quarter where there is a word processor. In consequence, they are forced to suffer the most appalling abuse, moral, psychological and sexual; particularly the latter.

Both David Hughes and Daniel Green have set about with gusto filling in the gaps. Charles Hamilton, who invented Billy Bunter, was one of fiction's Simple Simons. He wrote under the name of Frank Richards in a paper which folded in 1940, *The Magnet* and also in its companion sheet, *The Gem*. Hamilton

was indoctrinated into Grayfriars in his youth, becomes obsessed by this old man and his curious set-up. In investigating it he discovers continual parallels between the Bunter saga and the chief events of 20th century history. His own emotional life shared uneasily between a wife and secretary-mistress becomes hopelessly entangled with that of the Bunter prototype. He even suggests that the spirit of Bunter may be some kind of a cure for our contemporary malaise.

It is all worked out with ingenuity and well written. But I am afraid I did not believe a word of it. As a novel it is far too full of special pleading, I felt it was really based on an idea for a Christmas compilation that had got hopelessly out of hand.

Anthony Curtis

Tricks of light

THE PRE-RAPHAELITE CAMERAS
by Michael Bartram.
Weidenfeld & Nicolson £20.00, 200 pages

THE PHOTOGRAPHIC quality of the details in Pre-Raphaelite painting is one of the first things most people notice. The Brotherhood and photography grew up at the same time and contact was inevitable. But it is not simply a question of how and when specific painters made use of photography, or how much they were influenced by it. On the contrary, Michael Bartram in his fascinating book *The Pre-Raphaelite Camera* says that to a great extent it was the composition of the paintings that influenced the practice and development of photography.

Of course it is not even that simple: the pattern that emerges as photographic techniques advance alongside changing taste in pictures is one that Bartram calls "complex symbiosis" resulting from the pursuit of common ends by different means.

In the 1850s photography was hampered by technical restrictions. Exposures of up to 15 minutes were not unusual, on subject matter was strictly limited. Leafy trees swaying in the wind were impossible, but gnarled tree trunks with branches silhouetted against the sky were ideal, as were rock formations, ruins, studies of an old man or a single leaf, and sheltered glades (some brilliant evocations of landscape, boyhood, family. The second half tells of arrival and experiences in England. He exactly characterises the difference between the space and light of Africa and the subtleties of the northern atmosphere, both physical and social: "through the streets, between the trees, over the grass, the light moved..." so with English faces: "each face seemed to carry within it the shadows, the suggestions of innumerable others which had neither come to the surface nor been entirely lost..." But the book is more than just such observations: it is a sustained exegesis on the difference between the flatness and barrenness of colonial experience (though Jacobson's narrative powers enliven and enlighten South Africa) and the denseness and elaboration of English life. But much more than that, it is about self-awareness and self-discovery, and the mature acceptance of mortality.

There are 179 well-chosen black and white illustrations. The absence of the jewel-like Pre-Raphaelite colours in the paintings reproduced makes the similarity between painting and photograph especially striking. Whatever one may think of the ethics of discarding colour to this end, it is certainly instructive. The early Pre-Raphaelite works look more like photographs than the photos themselves, while later in the century advances in photographic technique led to a revival of



Jane Morris caught by the camera

adjusted landscape left the sky white, whatever the weather, while a photograph of the sky left the features of the foreground in blackness (something that even today amateur photographers must bear in mind).

The Victorian solution was to abandon the "Picturesque" landscape with deep perspective typified by the work of Claude, and opt for a new pictorial mode in which the foreground filled the frame with only a sliver of sky or none at all. The predominance of sharply defined images and the two-dimensional pattern immediately recalled the "flat" canvases of the Pre-Raphaelites, and so the "sharp" school of photography (as opposed to the "artistic" school who blurred the whole image in search of pictorial atmosphere) was dubbed with the same label.

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interest in chiaroscuro, and Julia Margaret Cameron's best work, which recalls the Old Masters. Artists sometimes used photographs to supplement their sketches, and there are some good illustrations of photographs and paintings of the same scene, but the less direct interplay of influences is more intriguing. The unusual composition of William Dyce's *William Dyce (1838-40)*, for example, is partly explained when you learn that he painted it from exactly the sort of angle that a contemporary photographer would have had to choose to photograph it clearly.

In *Pre-Raphaelite Sisterhood* Jan Marsh writes from a rigidly feminist point of view, and tries to show that the Pre-Raphaelite wives and mistresses were not merely passive victims of "organised" gender discrimination, but strong and interesting characters in spite of it. She is so immersed in feminist theories about Victorian attitudes to women that she fails to organise her material in such a way as to interest those readers who are not endowed with an insatiable appetite for 15th feminist re-writing of history and the Pre-Raphaelite Brotherhood's tangled love life.

Alannah Hopkin

Return home of a merry monarch

to record the point reached in the very first entry of his diary at January 1660. The Restoration of Charles II in May of that year at least re-established a continuity of form and in the emphatic and repeated opinion of Ronald Hutton, expressed the real and abiding aspirations of the people. "No English political event other than the arrest of Guy Fawkes has inspired such enduring enthusiasm as the Stuart Restoration."

Breadth of research and the author's readiness to take a

ton had a writing cap which he put on before he began to pen his fantasies, mindful that his gadgrind-like employer was paying him by the line. Addison will remember that it always took a great many words for the plot to advance a very little way.

Girls figured distantly on the horizon of Greyfriars which (as Orwell pointed out long ago) was a model for the patriarchal society. Hamilton's stuff was as clean as a whistle; even if the whistle was frequently made by a cane landing on some miscreant's bottom.

Yet Daniel Green's main plan seems merely to devise a good, old-fashioned best-selling history romp with a bit of Ray-bashing thrown in. His story starts in Victorian India and introduces us to William Bunter the great great grandfather of the fat end of the Remove. William's appetites are of a different order from those of his descendant: but just as insatiable.

In tracing the lineage of Billy back through a couple of centuries Mr Green plays ducks and drakes with English history, quite amusingly.

David Hughes (whose novel *The Pork Butcher* very nearly made last year's Booker Prize short list) is on to something rather different and more complicated. He posits an historical original for Bunter who, aged 90, is alive and well and living in Kent. The book's hero, who was indoctrinated into Grayfriars in his youth, becomes obsessed by this old man and his curious set-up. In investigating it he discovers continual parallels between the Bunter saga and the chief events of 20th century history. His own emotional life shared uneasily between a wife and secretary-mistress becomes hopelessly entangled with that of the Bunter prototype. He even suggests that the spirit of Bunter may be some kind of a cure for our contemporary malaise.

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The

Arts Council

Please, minister

ON TUESDAY the Arts Council takes the offensive against the Government. With a razzamatazz worthy of Ken Livingstone it is hitting the Fortune Theatre in London to launch "A Great British Success Story", in effect a prospectus for the arts, which argues the case for a hefty increase in Government grant in 1986-87. There will be steel bands outside the theatre; string quartets inside; and Sir William Kees-Mog, chairman of the Arts Council, punching hard for more money.

It is a crucial occasion for the Arts Council. In November someone in the Treasury will decide on the level of the Council's subsidy for 1986-87. A year ago the Council asked for £120m and got £106m. It was widely criticised by its numerous clients in the arts world for not making its case forcefully enough.

This year it wants the entire arts community to see that it is not the Government's poodle and that it really does try its hardest to extract the maximum possible grant from the Treasury. For the first time it is announcing in advance the amount of money it thinks essential to keep the arts flourishing in Britain. Taking last year's request for £120m as a starting point, then adding on £10m for inflation, plus the extra £37m the council has calculated that it needs if it is to take over many of the arts funding responsibilities of the now

defunct metropolitan councils (including the GLC), you arrive at a figure approaching £170m. It represents a huge increase; hence the need to promote its case.

The council's prospectus argues that the arts produce great returns for the nation at little cost. From its expenditure of £106m the Government receives around £75m back in taxes, etc., and saves much more through the employment the arts provide—175,000 jobs directly, many thousands indirectly.

The prospectus stresses the prestige the arts bring to Britain; their contribution to the commercial entertainment industry; their appeal to tourists; their role in inner city communities; their high level of productivity compared with foreign competitors; their basic importance in a civilised nation. The over-riding aim is really to convince just one person, the Prime Minister, that for a minimal increase in Government expenditure tremendous benefits will flow.

Mr Luke Rittner, secretary-general of the Arts Council, knows he has a difficult task. For a start, the fact that the 1986-87 grant will include extra money for the council's new metropolitan responsibilities will make it seem, at first glance, to represent a substantial rise in Government funding. But the

Government has only promised an extra £18m to make good arts expenditure by the arts which has been calculated by the council at £46m a year. So whatever increase the council gets for its traditional funding activities it is likely to be presented with a totally inadequate sum for its new responsibilities.

At one time there was talk of the Arts Council refusing to shoulder the additional burdens, such as running London's South Bank, if it did not receive sufficient resources. But it is legally bound now to take over which brings it to its second problem. The GLC is refusing to release all the figures on the cost of running the South Bank. The Government has earmarked £6m of its £16m increase for this nationally vital arts complex. The Arts Council thinks it will need nearer £8.5m a year to operate it, with a further £3.5m for the capital expenditure it plans to make the South Bank a more pleasant place, a south-of-the-river Covent Garden piazza.

So on top of a financial crisis there could well be a management crisis. And the Arts Council is quite prepared for Mr Livingstone, whose GLC suddenly seems to be flush with money, to mark its demise next spring by showering cash on the arts in London, showing up the new master, the Arts Council, and its paymaster, the Govern-



Richard Luce, newly-appointed Arts Minister

ment, as mean-spirited custodians.

A grant which will seem like a big rise in support but which is quite the opposite: the financial uncertainties of taking on the South Bank, to say nothing of the 550 other arts organisations in the UK which received money from the dead metropolitan councils; an attack on its flank by Mr Livingstone; and now, this month, a new minister for the arts, Mr Richard Luce, with the need to convince.

A change of minister has some advantages, in that a fresh mind comes to the problems, but the timing, just before the Arts Council launches its great initiative, is unfortunate. But the council knows that it is

a good chance of taking with it this time the entire arts establishment. It will be seen to be offering a lead. It is very unlikely it will receive all the money that it is asking for, but by going public it might get more than it has managed in the past by passive pleading.

In the end the arts in the UK seem destined to get by, with patching up money from local councils and from commercial sponsors, and emergency Government funds when a real crisis threatens: it would be nice if a far-sighted Government had seen this and avoided such time-consuming machinations.

The Arts Council also stands a good chance of taking with it this time the entire arts establishment. It will be seen to be offering a lead. It is very unlikely it will receive all the money that it is asking for, but by going public it might get more than it has managed in the past by passive pleading. In the end the arts in the UK seem destined to get by, with patching up money from local councils and from commercial sponsors, and emergency Government funds when a real crisis threatens: it would be nice if a far-sighted Government had seen this and avoided such time-consuming machinations.

Antony Thornecroft

Festival

Taming the phoenix in the nest

E. M. FORSTER remarked in an obituary of Lawrence: "You cannot say, 'Let us drop his theories and enjoy his art', be cause the two are one." It must be a testament to Lawrence's extraordinary power as a novelist that people go on reading him at all, given the apocalyptic ranting, the open contempt for democracy, and the philosophy of power which Bertrand Russell famously described as leading "straight to Auschwitz".

Yet the passage of time and the championship of Leavis appear to have won forgiveness both for his politics and his

notoriety. Lawrence is now standard A-level syllabus material, and his century year is being celebrated with a full-scale D. H. Lawrence Festival in his native Nottinghamshire.

The festival programme is centred on his home town of Eastwood, where Lawrence's reputation for obscenity and irresponsible fictionalising of actual individuals earned him lasting unpopularity. Perhaps with a view to counteracting this kind of local ambivalence, the organisers—a joint committee of local authorities backed by the private sponsors—have spread their cultural net wide, including music, dance, readings by

local poets and creative writing workshops.

But the organisers (perhaps uneasy about the D. H. Lawrence Fun Run) are quick to point to the academic credibility provided by an international Lawrence symposium to be held as part of the festival at Nottingham University next weekend. Under the chairmanship of J. T. Boulton, general editor of the definitive edition of Lawrence being produced by the Cambridge University Press, scholars from 19 different countries will gather to hear 12 papers.

Also at the University of Nottingham is an exhibition of letters, manuscripts and photographs, many of which have never been shown before. Suddenly the phoenix is tamed; Lawrence becomes human. In one photograph the fiery-mouthed prophet is transformed into a sheepish figure standing self-consciously in a three-piece suit underneath a cactus in New Mexico. There are affectionate letters to his sisters, Emily and Ada, in gloriously legible handwriting, complaining about the weather and including postscripts in capital letters for the children to read. And there is the pitiful letter written to Emily from Venice in 1930 when he was dying of tuberculosis.

One of the most startling items on show is the transcript of T. S. Eliot's testimony to the "Lady Chatterley" trial in 1960, with Eliot's astonishing prefatory curriculum vitae which includes a list of degrees from Harvard, Oxford and the Sorbonne, as well as the Nobel prize for literature. Some contemporary reporting of the trial can be seen at Nottingham Central Library where there is an exhibition devoted to media treatment of Lawrence.

Of course, Lawrence's brushes with the law were not purely posthumous. "The Rainbow" was banned in 1915, and in 1929 customs confiscated the poetry collection "Panthea" in manuscript. In the same year some of the paintings he was exhibiting at the Warren Gallery in London were seized by police on the grounds of obscenity.

But in retrospect it does seem ironic that the writer whose name is an international byword for artistic freedom in the history of censorship should also be the correspondent who insisted to Russell in 1915 that "Liberty, Equality and Fraternity is the three-fanged serpent."

Kirsty Milne

The D. H. Lawrence Centenary Festival continues until September 28. Details from (0773) 768 222.

Records

Echoes of the thirties

GERMAINE MARTINELLI Arias by Massenet, Handel, Berlioz, Meyer, Verdi, Rubini GV905

RICARDO VINES Piano recital, Scarlatti, Gluck/Brahms, Albeniz, Borodin, Debussy, Falla, Turina, Blancfort, Troland, Lopez-Buchardo, EMI Pathé-Marconi "Références" 1731791

WANDA LANDOWSKA Bach recital, Partita No 1, Italian concerto, Chromatic fantasy and fugue, English suite No 2, EMI Pathé-Marconi

ONE OF the greatest benefits of the gramophone is the rediscovery by means of transfers of 78s to LPs, of the performing past. The experience is usually most rewarding with the singing voice. The revelation of human personality such exhumations can bring may, in the case of pre-electrical recordings (to which one must learn how to listen) be gradual or, in the case of more recent ones, immediate. Both kinds bring enlightenment, as well as pleasure. I had noted in Opera record the accolades from David Cairns and Lord Harewood for the French soprano, Germaine Martinelli. Her name was familiar but not her voice. In the 1930s, when she was at the height of her career, "Martinelli" to a London opera-goer meant the Italian tenor, Giovanni.

Though she sang much operatic music, Germaine Martinelli remained a concert artist, active between the wars, retiring in 1941. Her father was a Parisian doctor whose practice included the Moulin Rouge music-hall. She married an opera singer. Their son Jean Martinelli was an actor at the Comédie Française. The theatrical connection may be reflected in her splendid diction. Hearing her sing an aria is like listening to a classical tirade declaimed by a major French actress, say Marie Bell or Edwige Feuillère. The voice was remarkable—forward, even ready in the French way, but warm and lustrous. The personality strikes quickly, like a French Claudia Muzio.

The selection on this most desirable Rubini disc is unusually interesting. Anyone inclined to disbelieve in a

French Aida or Desdemona should hear the excerpts from the opera in question. An aria from Handel's *Ottone* (with what sounds a large string band in the cloudy background) may displease purists but has a grand warmth and dignity. A favourite role was Marguerite in the *Damnation of Faust* of Berlioz. Both her solos are here. No soprano who can really manage this music sounds like a young, frightened girl, but the note of courageous desolation is compellingly, urgently struck and held. Unfortunately the opening and closing bars of the accompaniment to "D'amour l'ardente flamme" are cut away and there is some feeling of hurry in the usual 78 problem of duration.

Massenet is represented by a noble "Va, laisse couler mes larmes" from *Werther* and two solos from *Maria-Magdalena* including "O bien-aimé," Marie's lament at the foot of the cross, which strikes one as a wickedly successful Bach pastiche until it reveals closer links with Gluck and Berlioz. A big scene for the heroine of Meyer's *Salomé*, magisterially sung, also recalls Berlioz and arouses considerable interest for Meyer's own sake. The omission of the brief chorus part is a pity. One would welcome information about conductors, orchestras, and dates.

That instrumental as well as vocal personality can survive the years (a shade less vividly) is amply proved by transfers of the pianist Ricardo Vines and the harpsichordist Wanda Landowska. Vines was a Catalan who spent most of his distinguished career in Paris, selflessly promoting the music of his friends—they included Debussy, Ravel, Albeniz and Falla. Despite his dandyish appearance Vines was a serious, dedicated musician. He gave the first performance of many works now famous. The recordings included here of Debussy's "Poissons d'or" (dedicated to Vines) and "Soirée dans Grenade" fully justify the admiration of his pupil Paul Benard with his special praise for the pedalling, "the essential factor in modern music."

The transcriptions from Falla's *El amor brujo* have venomous bite beneath a shroud of mystery—note the ghostly chords marking the tolling of midnight. Vines does not appear

to have recorded any Ravel (the sleeve of this elegantly produced record in the EMI Pathé-Marconi "Références" series is short on detail). There is instead some mostly minor Albeniz and other short pieces by lesser-known Spanish and Latin-American composers. An unexpected pleasure is the Brahms transcription of a gavotte from Gluck's *Iphigénie en Aulide*.

Another of the "Références" series is devoted to the Bach playing of Landowska. This bizarre and rather likeable little fiend of a woman made such an impression on those who heard and met her during the 1930s that one may easily forget how long it is since she played in this country (she died in the U.S. in 1959) and how many of today's music-lovers know little about her. When she made these recordings in France in 1935 and 1936 she had been championing the harpsichord for years but was still busy dispelling the old image (muddled up with imprecise notions about the "spinet") of a dainty bygone.

And so, on the large, powerful two-manual Pleyels she commissioned (the only instruments suited to the concerto Falla wrote for her), she demonstrated the colour, variety and vitality of which the harpsichord was capable. Chords, crunch, ornaments sting, arpeggios roar and rumble like ocean waves. Above all, underpinned by sonorous basses, her rhythm—now implacable, now lifting—life-giving, never mechanical; heard at its most intoxicating in the Italian concerto. This joyously tonic performance, long treasured on 78s, returns triumphantly.

Being so much concerned with contrast and colour Landowska's registrations by today's standards are extreme. The recordings, for their date, are bold and uninhibited to the point where, in some dance movements, clarity is sacrificed to clangour. In the Chromatic fantasy one might be listening to a crack French organist letting rip in a large cathedral. That may be another way of saying that her playing belongs to the world of baroque architecture, sculpture and painting, a world of violent oppositions of light and shade, mass and swirling movement.

Ronald Crichton

Theatre

Exploding a myth

JAMES MAXWELL'S production of *Hay Fever* for the Manchester Royal Exchange Company explodes a myth: the legend that this insubstantial scrap of thistledown needs the most quivering delicate and exquisitely precise stylisation. Sir Maxwell's cast tackles Noel Coward's "comedy of bad manners" with gusto of a boxer boy putting the boot in.

The result is sometimes redolent of TV sitcom, sometimes farcical and occasionally unrecognisable as the brittle language deemed appropriate to Coward by received wisdom.

The play opens to the sounds of Simon's ghetto-blasters. The son of the house is a puce-haired punk with one dangling ear-ring. This sets the tone for a production almost stolen by Johan Fagels—sometimes literally—dazzling costumes and Richard McCabe's Simon. Mr McCabe has the look of a pudgy Griff Rhys-Jones and very occasionally, dare one add, a dash of Callow (he has played Amadeus). A tendency to grimace and adopt funny voices is quite in keeping with a production that makes Simon respond to parental exhortations to be nice to a guest by rushing across the room to clasp the screaming girl in a passionate embrace; a (Harpo) Marx wail in Kingsley clothing.

As the imperiously dotty grande dame of this nest of self-absorbed posturers, Dillys

Hamlett takes her cue from Judith's briefly expressed desire to be Sorel's sister rather than her mother. Far from the gracious vagueness of tradition, this Judith scuttles, bustles, bounces and stamps. Playing against type—by nature Miss Hamlett is an intelligently analytic actress—she switches the self-dramatising on and off with vividness if little subtlety.

The over-vehement approach almost obscures the comic promise of Victoria Hasted's all-shrieking Jackie, the flapper now a blonde sub-cockney. Marsha Hunt's fine-looking black Myra mimes her lines in an uncompromising and unwavering sing-song. Both more conventional and more satisfying is Bosco Hogan's beautifully bemused diplomat.

Act II's evening dress provides a glittering parade of styles from pastiche Eric to this season's padded-shoulder look; burgundy brocade for Sandy, mauve with velvet breeches and beads for Simon, Jackie's black leather. Judith swathed in gold. Parents will rage, but *Hay Fever* emerges as a tougher play than we imagined, and durably funny—despite the production's apparent belief that today's outrageousness is provided by upper-class punks and mutants who compete with their daughters.

Martin Hoyle



Marsha Hunt and Richard McCabe

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Radio

An historical turnabout

MORE THAN anything I heard this week I was interested in *The Facts of History* on Radio 3 last night. I have been reading about T. E. Lawrence, and Michael Charlton's interview with Prof. Elie Kedourie led to some provocative conclusions for example, that the Arab Nationalism in which Lawrence believed was only a European invention; that the Middle Eastern "anarchy" was the result of there being no great power acting as overlord, as the British and before them the Ottoman Empire had acted; that the Russian style of remote central government might prove the most sympathetic to the Middle Eastern peoples.

On another level, Radio 4's *Evening with Alan Jay Lerner* interested me too, though less than I hoped. It was mostly anecdotal; only at the end did we have anything about the lyric-writer's technique. As Lerner is, for me, the third-best lyric-writer in the world of the present-day musical, I'd have liked more; but you could learn a lot when he sang his

own songs—how the lyrics were constructed, how they should be interpreted.

I like to taste the start of the Sunday evening serial on Radio 4, *Shadow of Doubt*, a six-part version by Neville Teller of Palma Harcourt's novel, started not with a bang but a whisper, a mere setting-up of the situation. The Cultural Attaché in our Embassy in Moscow is coerced into helping a senior KGB officer to defect; but will he be wholeheartedly in our camp? Scenes happen in deeply Russian places like a public bath-house and GUM universal stores, and the Russians speak with Russian accents. One of them is called Oleg Kerensky, who I thought was The Stage's New York ballet correspondent.

Episode 2 of *Howard's End* four was good listening, but suggests that Jeffrey Segal has had an uphill job making Forster's novel more than a conversation piece. But it's civilized conversation, and the playing—Joanne Pearce and Miranda Richardson as the

Schlegels, Mick Ford as Leonard East, Joss Ackland as Henry Wilcox—could not be better. Caroline Raphael directed.

Radio 3 let me down with its Sunday-evening play, *The Noose*, by Avanti Kumar, which sounded like something from a self-conscious sixth-former. It was a kind of decorated interior monologue. Winstanley Smith (whose name is not mentioned in the script) is awaiting execution—well, punishment of some kind—for having killed an unpopular mate at a disco party. Winstanley (Guy Holden) hears the sound of his thoughts "a distant melody of a flute, the sound that never stops because it never started." He can also hear what is in other peoples' minds—"I heard the sound of compressed thoughts." Also he sees auras. With such advantages, he is well able to let us know that it wasn't him. But all this poetic diction, all this parapsychology, applied to such an inconsequential affair (and this is how it seems), is just literary disipation.

The punishment for literary

dissipation was sadly demonstrated in a 40-minute programme on Radio 4 on Tuesday, about Scott Fitzgerald. Fitzgerald had great talent as a young man and decided to use it to make himself smart and prosperous and famous instead of just good. In between his novels (one of which, *The Beautiful and Damned*, gives its name to the programme), he wrote some second-class short stories to pay off his debts, and to pay the medical fees for his deranged wife Zelda, who also thought she could ride to celebrity on her talents, as a writer and as a dancer. Zelda spent years in mental homes and Scott spent years in debt, before dying in his forties. The programme, by Richard Mulren, with Ed Bishop to speak Fitzgerald's words and Sarah Keller Zelda's, was deeply pathetic.

B. A. Young

Solution to Chess No. 585: 1. K-Q3 (threat 2 R-R5); K-N4; 2. K-Q4; or if N-B3: 2 R-QB6; or N-Q4; 2 N-X4.

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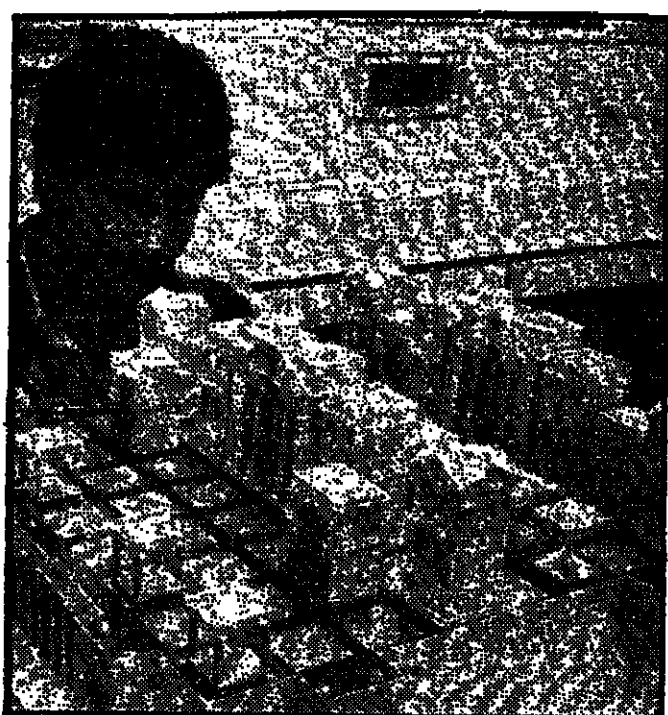
Design's human face

LIKE THEIR cousins in Fleet Street, those who make Britain's television programmes have never taken the subject of design at all seriously. Furniture-makers and fashion designers have been honoured with occasional late night programmes, and graphics have been dealt with as part of the glamorous world of art; but retail design, packaging, corporate identity, and most product design were largely ignored as insignificant offshoots of the grubby world of commerce and industry.

All that has changed over the past three years. Margaret Thatcher made design so newsworthy that only the blindest of generous or producers could ignore it. Channel 4 arrived with an admirably eclectic approach to covering the arts and, more recently, industry. Under a range of zappy titles, from *Design Matters* to *Good-Looking*, it has produced a flood of vignettes about various aspects of design from Japanese motor bikes to punk clothes, and from corporate liveries to shop-fittings.

Along with a series on the lives, works and thoughts of great designers (mostly Germans, Italians and Americans), Channel 4 has made a welcome contribution. This week, the BBC belatedly entered the fray. Up to now its contribution has been confined to a 1983 visit to Milan, the design capital of Europe, by Barry Norman, and the Omnibus team. Since then, its design coverage has been distinguished only for the number of programmes that have been shelved or scrapped.

As if to make amends, the same Omnibus team (minus Norman) bounced back on to our screens on Tuesday and Wednesday at the prime time of 9.00 pm with two 75-minute specials called *Designs on Britain*. Together, they presented a remarkably comprehensive, informative and entertaining view of the role design plays in every facet of our individual, social and economic lives. It must be hoped that, after watching this masterly



A matter of design: stepping forward or looking back?

exposition, the BBC's mandarins will now realise that design constitutes a rich, varied and unusually viewable vein of material for all sorts of future programmes to explore and mine. Through the misty eyes of a motor cycle engineer from the ill-fated Triumph works at Meriden, it spoke volumes about the failure of British industry to emulate the Germans, Italians and Japanese in harnessing design as a potent force for commercial success. It also titillated the viewer with what must surely be a television first: the Prime Minister, a self-professed design addict since he heard a lecture in the 1950s on lamp post design, stamping her personal seal of approval on a range of well designed British products, notably an innovative torch.

However, the programme's greatest service to better public understanding of design might well prove to be its early treatment of architecture as just one element of the design spectrum. Ever since the profession of industrial design was born, late in the 19th century, it has suffered from its treatment as a distant and poor relation of architecture. Backed by a barrage of intellectual theory accumulated since the days of the ancients, architects have been treated by society either as the dominant caste within the design community, or as a superior race apart.

Designs on Britain showed that architects are losing much of their pre-eminence (and some of their business) to de-

signers like Sir Terence Conran and Rodney Fitch. Amid all this welcome clarity about the nature and role of design and designers, it was a pity the programmes failed to present a crystal clear answer to their own questions: "Is design just styling?" and "do designers merely manipulate the appearance of things?" There were plenty of visual and verbal clues to the contrary, since the programme-makers actually were trying hard to assert the designers' role as a creator of function as well as of form.

Many viewers will have been perplexed, and some may have been reinforced in the common preconception that design is merely skin deep styling and, like advertising, just another glossy weapon in the arsenal of marketers seeking to tempt consumer demand from an empty hand. The truth is very different. Just as architects are (or should be) masters and mistresses of a building's function, as well as its appearance, so product and packaging designers should be seen as very much more than just stylists and wrapper-upper. The best of them are concerned not just with the look of their creations but the way they are used by human beings. Until this message is rammed home, in no uncertain terms, to industry and society at large, design will never be taken seriously.

Chris Lorenz

Sport

Nationalism's fervour factor

AFTER this week's crucial World Cup ties involving the five home nations—all of which ended in draws—only England and Scotland remain certain to qualify for Mexico next summer. It is, however, hard to imagine either making a serious attempt—which raises a question. Would a combined team from Great Britain stand a better chance?

In theory and on paper, the answer must be yes. Players of the calibre of Souless, Brady and Rush must improve any side. In practice I have doubts; it has always seemed to me that one of England's major weaknesses was that our manager has too many options, and that his end product would probably be just as good if his choice was limited to, say, clubs in the North West, or the Midlands, or even London.

It is true that the manager of a combined British team would have the pick of all the most individually talented players, but these may not form the most effective team. Without doubt he would be accused of prejudice by the English, Irish, Welsh and Scottish fans and press, especially if he chose an honest but unspectacular performer such as Butcher, rather than a more colourful player who in his opinion was less reliable.

It is also noticeable how on

many occasions a Welshman in a red jersey, or a Scotsman in a blue one, has been so lifted by national pride that he has played well above himself. Would the adrenalin flow quite so much if he was representing the British Isles?

The main reason why England and Scotland—apart from the former's triumph at home in the mid-1960s—have failed to make much impression at the highest level arises from our domestic football system.

More than 80 per cent of the players in this week's World Cup games were drawn from English football, which does illustrate why the Canon League is considered to be the meanest, hardest and most demanding in the world with no easy matches. This, however, must take the edge of the players: How often can they be expected to pull out that little extra? Our leagues spawn too many ultra-fit, well-drilled footballing robots.

Although clubs, managers and supporters want our national team to do well, their chief consideration—unlike many other countries—is club success. That explains why our national supremos constantly find themselves robbed of key players through injury or club commitments.

There is another factor—for



On the road to Mexico: England v Romania

England, at least. The comparative failure of Northern Ireland, Wales and, to a lesser extent, Scotland, in World Cup football can to an extent be explained by the limited number of players available. That can hardly be said to apply to England.

Take a good look, however, at the extent to which outstanding English clubs depend on the Celtic influence. Where would Leeds' glory days have been without the inspiration of Billy Bremner and Johnny Giles? The contributions of Graham Souless, Kenny Dalglish and Ian Rush to the success of Liverpool has been considerable, and let us not forget the late Bill Shankley, who lit the torch. Manchester United owes

much to Frank Stapleton, Norman Whiteside, Mark Hughes and Gordon Strachan.

The Celts have brought not only skill and excitement, but also passion to our league football. Our reliance on Celts to provide flair—Liam Brady at Highbury, George Best at Old Trafford—might help to explain why so many England teams are industrious, hard to beat, rather predictable and not very exciting.

Another problem for England boss Bobby Robson is caused by an increasing number of club managers who (to their credit) are experimenting with formations and choosing one to suit their squad, rather than fitting into a standard system. However, this can create difficulties when selected for

England, and also explains why an outstanding footballer might take a long time to settle down with a new club.

While I feel that England and Scotland are unlikely to see Mexico on fire, the return of Souless for the Scots will have a considerable effect.

And while Scotland will greatly miss the presence, knowledge and direction of Stein—not only one of the great managers, but also one of the most charming men I have met in football—I can envisage the Scottish team going out to the World Cup in Mexico wearing "Wendell" in this for Jack. It might even provide the little extra incentive that can make such a difference.

Trevor Bailey

Drugs campaign welcomed

The programmes must cover training, both group and individual, as well as actual competition. The reasoning is that it is no use testing at the latter if an athlete has used drugs during preparation for an event but stopped in time for them to be undetectable on the day.

The council has allocated £250,000 to fund the testing programme. It costs about £25 for each urine sample. Dr David Cowans, assistant director of the Drug Control and Teaching Centre at Chelsea College and a world expert in the field, says the preliminary screening takes from eight to

12 hours and clears 80 per cent of the samples. Further tests are needed to clear those with a high nicotine content and those with allowable drugs.

Broadly speaking, these fall into three main categories: stimulants (including caffeine, cocaine, ephedrine and even strychnine); narcotic analgesics (strong pain-killers that include codeine and heroin); and anabolic steroids (bulk builders, with testosterone among the better-known substances). However, there are also the beta-blockers—nerve-steaders known to have been taken by shooting competitors and at least three snooker pro-

fessionals. Tests to detect the drugs are mainly chromatographic, in which the sample is dissolved in a gas compound that can separate two liquids or a liquid and a solid.

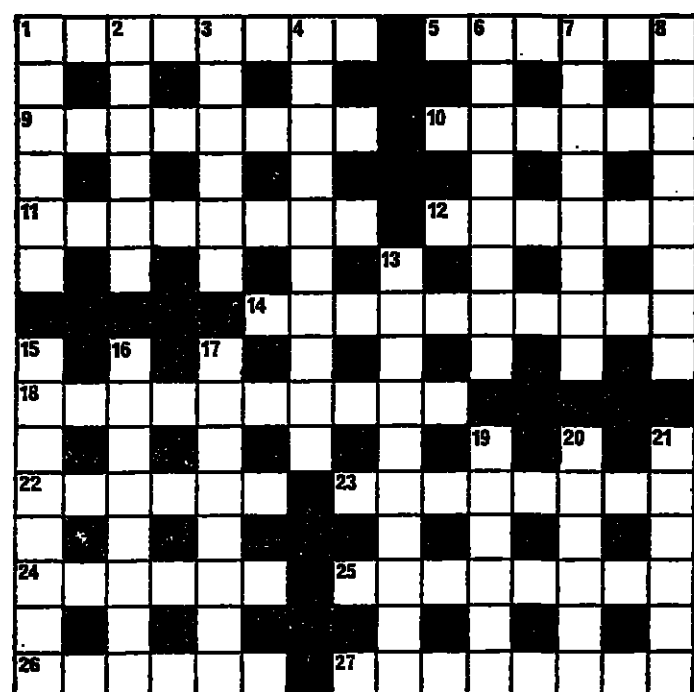
Most UK sports bodies are enthusiastic about the council's campaign. David Lunn-Rock, executive secretary of the Amateur Rowing Association, says: "We were willing to accept a testing scheme three years ago. Random testing will be introduced in regattas this winter."

The council's initiative was backed at a March symposium by sports bodies that receive

grants. But most of the big sports don't although the council is hoping they will fall into line: for starters its chairman, John Smith, also is chairman of Liverpool football club and a member of the League management committee. Athletics, of course, already is tackling the drugs issue internationally. British professional boxing claims that medical checks before and after fights are the most rigorous in sport; yet there is the anomaly that while the European union insists on drug-testing for its championship contests, world authorities and the British board do not. And, perhaps the biggest question of all, who will there be drug-testing at Wimbledon and other major tennis tournaments?

James French

F.T. CROSSWORD PUZZLE No. 5,821



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4A 3DF. Solution next Saturday.

- ACROSS**
- 1 Corrupt way to use foot on footballer (8)
 - 5 Given first coat, is put up to it (6)
 - 9 Something to pull that bats are used to? (8)
 - 10 Bird found at cave? (6)
 - 11 Insulate one thousand: reproduce conditions (8)
 - 12 Some things in lend can't be borrowed or begged (6)
 - 14 Unreliable—you'll need the flarepath (13-5)
 - 18 Undersized, unintelligent compiler: I have followed a crazy one (10)
 - 22 Glass ball, often bust (6)
 - 23 Joint hereditary monarch, partly overdrawn (2, 3)
 - 24 Wholly virtuous beginner? (6)
 - 25 Fashionable crowd suffering with teeth? (5, 3)
 - 26 Being a partisan by the railway? (6)
 - 27 I'm performing in due course, being concerned about my image? (8)
- DOWN**
- 1 Defeat on the king's square? Nonsense! (6)
 - 2 Pillar of journalism? (6)
 - 3 American town the French take? (6)
 - 4 Give in, wounded by catapult, that is (10)
 - 6 Check one in circle that compels attention (8)
 - 7 Gum, Alice? Gum! (8)
 - 8 Set off explosion at school in time (8)
 - 13 Somewhere to sleep, in which there will be a hot spot before morning, as mentioned before (5-5)
 - 15 Not even people on back street have leftovers (8)
 - 16 Better an evil spirit went travelling (8)
 - 17 Church lancing a sore? (8)
 - 18 Church, said or (8)
 - 19 Expert? Take a chair for your health (6)
 - 21 Tide turns for alternative newspaperman (6)

RECENT ACROSS

1. CORRUPT WAY TO USE FOOT ON FOOTBALLER (8)
2. PILLAR OF JOURNALISM (6)
3. AMERICAN TOWN THE FRENCH TAKE (6)
4. GIVE IN, WOUNDED BY CATAPULT, THAT IS (10)
5. GIVEN FIRST COAT, IS PUT UP TO IT (6)
6. CHECK ONE IN CIRCLE THAT COMPELS ATTENTION (8)
7. GUM, ALICE? GUM! (8)
8. SET OFF EXPLOSION AT SCHOOL IN TIME (8)
9. SOMETHING TO PULL THAT BATS ARE USED TO? (8)
10. BIRD FOUND AT CAVE? (6)
11. INSULATE ONE THOUSAND: REPRODUCE CONDITIONS (8)
12. SOME THINGS IN LEND CAN'T BE BORROWED OR BEGGED (6)
13. SOMEWHERE TO SLEEP, IN WHICH THERE WILL BE A HOT SPOT BEFORE MORNING, AS MENTIONED BEFORE (5-5)
14. UNRELIABLE—YOU'LL NEED THE FLAREPATH (13-5)
15. NOT EVEN PEOPLE ON BACK STREET HAVE LEFTOVERS (8)
16. BETTER AN EVIL SPIRIT WENT TRAVELLING (8)
17. CHURCH LANCING A SORE? (8)
18. CHURCH, SAID OR (8)
19. EXPERT? TAKE A CHAIR FOR YOUR HEALTH (6)
20. EXPERT? TAKE A CHAIR FOR YOUR HEALTH (6)
21. TIDE TURNS FOR ALTERNATIVE NEWSPAPERMAN (6)
22. GLASS BALL, OFTEN BUST (6)
23. JOINT HEREDITARY MONARCH, PARTLY OVERDRAWN (2, 3)
24. WHOLLY VIRTUOUS BEGINNER? (6)
25. FASHIONABLE CROWD SUFFERING WITH TEETH? (5, 3)
26. BEING A PARTISAN BY THE RAILWAY? (6)
27. I'M PERFORMING IN DUE COURSE, BEING CONCERNED ABOUT MY IMAGE? (8)

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SATURDAY

BBC 1

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

BBC 2

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

BBC 3

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

BBC 4

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

BBC 5

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

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CHANNEL 4

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CHANNEL 5

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CHANNEL 6

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CHANNEL 7

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CHANNEL 8

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CHANNEL 9

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 10

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 11

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CHANNEL 12

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CHANNEL 13

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 14

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 15

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CHANNEL 16

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 17

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 18

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 19

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 20

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 21

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 22

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.

CHANNEL 23

1.00 am The Saturday Picture Show. 10.00-10.30 pm News Summary. 10.30-11.00 pm The Saturday Night Show. 11.00-11.30 pm The Saturday Night Show. 11.30-12.00 am The Saturday Night Show.